



Jiangsu Expressway Company Limited  
(Hong Kong Stock Exchange Stock Code: 00177)



# 2018

## 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 contents of this annual report, guarantee that there are no false representations, misleading statements contained in, or material omissions from this report; and**
2. **Absence of directors**

Position held by absent director	Name of absent director	Reasons for absence of directors	Name of proxy
Director	Wu Xin Hua	Due to business engagement	Yao Yongjia
Director	Hu Yu	Due to business engagement	Yao Yongjia
Independent director	Zhang Zhu Ting	Due to business engagement	Chen Liang

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 Touche Tohmatsu Certified Public Accountants LLP and standard unqualified auditor's report has been issued thereon.**
4. **Gu Dejun, Person in Charge of the Company, Sun Xibin, Accounting Chief of the Company, and Ren Zhuohua, Person in Charge of the Accounting Department (Head of the Accounting Department), hereby warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.**
5. **Profit distribution plan or plan for the capitalization of capital reserve during the Reporting Period considered by the board of directors.**

During the Reporting Period, the Group realized a net profit attributable to the shareholders of the Company of RMB4,376,603,925 and earnings per share was approximately RMB0.8688. The board of directors of the Company proposed to distribute cash dividends of RMB0.46 per share (tax inclusive) in favour of all shareholders based on the total share capital of the Company of 5,037,747,500 shares.

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

Applicable  N/A

Forward-looking statements in this annual report which involve development strategies and 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. **Is there misuse of funds of the Company by the Controlling Shareholder and other related/connected parties for non-operational purposes?**

NO

8. **Did the Company provide external guarantee in violation of the decision-making procedures**

NO

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. **Others**

Applicable  N/A

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

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# DEFINITIONS



## I. Definitions

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

### Definitions of commonly used terms

Company	Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)
Group	the Company and its subsidiaries
Controlling Shareholder or Communications Holding	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
China Merchants Expressway Network	China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Huajian Highway Investments Company Limited (招商局華建公路投資有限公司)
Railway Group	Jiangsu Railway Group Limited (江蘇省鐵路集團有限公司), formerly known as Jiangsu Railway Investment & Development Co., Ltd. (江蘇鐵路投資發展有限公司)
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)
Xiandai R&B Company/ Jiangsu Sundian	Jiangsu Xiandai Road & Bridge 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)
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)



## DEFINITIONS

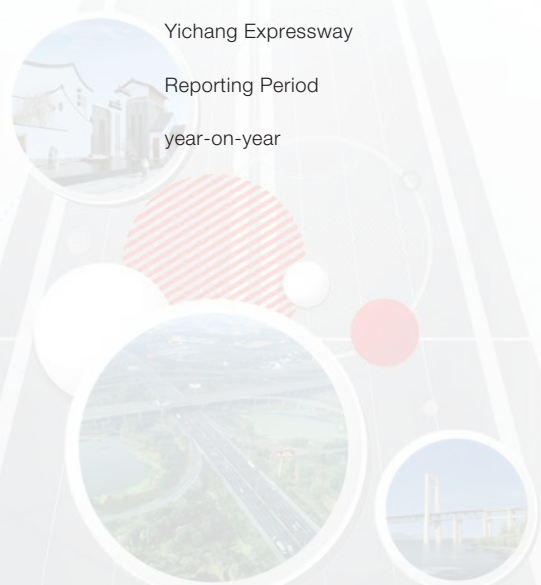


Kuailu Company	Jiangsu Kuailu Motor Transport Co., Ltd. (江蘇快鹿汽車運輸股份有限公司)
Sujiayong Company	Suzhou Sujiayong Expressway Co., Ltd. (蘇州蘇嘉甬高速公路有限責任公司)
Luode Fund Company	Jiangsu Luode Equity Investment Fund Management Company Limited (江蘇洛德股權投資基金管理有限公司)
Jiangsu Xiexin Gas	Jiangsu Xiexin Gas Co., Ltd. (江蘇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)
Media Company	Jiangsu Communications & Culture Media Company Limited (江蘇交通文化傳媒有限公司)
Nanlin Hotel	Suzhou Nanlin Hotel Company Limited (蘇州南林飯店有限責任公司)
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)
Taixing Oil Products Company	Taixing Hechang Oil Products Trading Co., Ltd. (泰興市和暢油品銷售有限公司)
Orient Operation Company	Jiangsu Orient Expressway Operation and Management Company Limited (江蘇東方高速公路經營管理有限公司)
Orient Road & Bridge Company	Jiangsu Orient Road & Bridge Construction and Maintenance Company Limited (江蘇東方路橋建設養護有限公司)
Highway Center	Highway Development Center of Transportation Department of Jiangsu Province (江蘇省交通運輸廳公路事業發展中心), formerly known as Highway Bureau of Transportation Department of Jiangsu Province (江蘇省交通運輸廳公路局)
Expressway Management Center	Expressway Operation and Management Center Department of Jiangsu Province (江蘇省高速公路經營管理中心)
Liuhe District Government	The People's Government of Liuhe District, Nanjing (南京市六合區人民政府)
Ninghang Company	Jiangsu Ninghang Expressway Co., Ltd. (江蘇寧杭高速公路有限公司)
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. (江蘇蘇通大橋有限責任公司)
Xinhua Media	Jiangsu Xinhua Newspaper Media Group Co., Ltd.

# DEFINITIONS



Fuanda Fund	Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司)
CDB Kai Yuan Phase II Fund	Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)
Hanrui Center	Plot No. 2 Complex Project located in the central business district of new city in the south of Nanjing
Jiangsu Leasing	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
Nanjing-Lianyungang Highway	Nanjing Section of Nanjing-Lianyungang Highway
Panjia Garden Station	Panjia Garden Toll Station, Nanjing section of Ningbo-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
Zhendao 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
Changyi Expressway	Changzhou-Yixing Expressway
Yichang Expressway	Jiangsu Section of Yixing-Changxing Expressway
Reporting Period year-on-year	The period of one year from 1 January 2018 to 31 December 2018 as compared with the same period of 2017



## DEFINITIONS



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 and Relevant Provisions promulgated by the Ministry of Finance of the People's Republic of China
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



**Gu De Jun**  
Chairman





# 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	Gu De Jun

## 2. Contact Persons and Contact Methods

	Secretary to the board of directors/Company Secretary	Representatives of securities affairs
Name	Yao Yong Jia	Tu Jun and Lou Qing
Correspondence Address	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Telephone	8625-84469598	8625-84464303
Fax	8625-84207788	8625-84466643
Email address	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 address	jsnh@jsexpwy.com

## 4. Information Disclosure and Places for Inspection

Designated media for information disclosure by the Company	China Securities Journal and Securities Times
Websites designated by CSRC for publication of annual reports	<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>

Annual reports of the Company available at	Shanghai Stock Exchange, 528 Pudong Road South, Shanghai, the PRC; Hong Kong Registrars Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; Reed Smith Richards Butler, 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong; Headquarters of the Company, 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
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# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS



## 5. Information on the Company's Shares

Class of shares	Information on the Company's Shares			Previous stock abbreviation
	Listing stock exchange	Stock abbreviation	Stock code	
A Shares	Shanghai Stock Exchange	寧滬高速	600377	–
H Shares	The Stock Exchange of Hong Kong Limited	Jiangsu Express	00177	–
ADR	The United States of America	JEXYY	477373104	–

## 6. Other Relevant Information

Auditor appointed by the Company	Name Business address Names of signing accountants	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC Yu Yang, Wang Fan
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## 7. Principal Accounting Data and Financial Indicators for Recent Five Years

### (1) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data			Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year (%)			
	2018	2017		2016	2015	2014
Operating revenue	9,969,011,165	9,455,680,365	5.43	9,201,297,066	8,761,321,186	8,830,860,795
Net profit attributable to the shareholders of the Company	4,376,603,925	3,587,861,857	21.98	3,346,063,867	2,506,629,408	2,227,907,831
Net profit attributable to the shareholders of the Company net of non-recurring profit or loss	3,853,866,529	3,565,591,487	8.08	3,316,405,373	2,692,979,266	2,228,136,341
Net cash flow from operating activities	5,715,489,507	5,232,104,978	9.24	5,463,748,504	4,475,893,125	3,741,645,416



# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS



			Increase/ decrease as at the end of the Reporting Period as compared with the end of the corresponding period of the previous year (%)	As at the end of 2016	As at the end of 2015	As at the end of 2014
	As at the end of 2018	As at the end of 2017				
Net assets attributable to the shareholders of the Company	26,137,197,732	23,520,283,963	11.13	22,209,756,185	20,476,159,276	21,015,980,062
Total liabilities	18,808,871,891	16,637,560,626	13.05	13,340,716,540	15,289,867,555	15,781,633,851
Total assets	48,162,728,833	42,532,491,238	13.24	36,282,573,529	36,476,039,663	37,481,216,616

## (2) Principal financial indicators

Principal financial indicators			Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year (%)	2016
	2018	2017		
Basic earnings per share (yuan/share)	0.8688	0.7122	21.99	0.6642
Diluted earnings per share (yuan/share)	N/A	N/A		N/A
Basic earnings per share net of non-recurring profit or loss (yuan/share)	0.7650	0.7078	8.08	0.6583
Weighted average return on net assets (%)	17.71	16.06	Increased by 1.65 percentage points	16.06
Weighted average return on net assets net of non-recurring profit or loss (%)	16.14	15.96	Increased by 0.18 percentage point	15.92

## 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

# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS



## 9. Principal Financial Data for 2018 by Quarters

Unit: Yuan Currency: RMB

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating revenue	2,822,575,100	2,319,204,734	2,499,923,053	2,327,308,278
Net profit attributable to the shareholders of the Company	1,017,133,454	1,471,008,611	1,163,954,555	724,507,305
Net profit attributable to the shareholders of the Company net of non-recurring profit or loss	1,017,764,735	1,046,413,730	1,132,545,963	657,142,101
Net cash flow from operating activities	1,204,204,675	1,458,584,432	1,583,239,987	1,469,460,413

## 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 2018	Note (if applicable)	Amount for 2017	Amount for 2016
Gain or loss from disposal of non-current assets	-7,661,280		-5,659,248	-3,570,996
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 or fixed quantity under certain standards	3,623,552	Compensation as well as subsidies for employment stabilization recognized in the Reporting Period for construction of Ningchang Expressway	4,494,581	16,017,251
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	164,981,703	Mainly the gain from changes in fair value of other non-current financial assets held by the Company during the Reporting Period.	12,183,544	5,067,706
Gain or loss from external entrusted loans	2,598,900		31,623,260	
Other non-operating income and expenses other than the aforesaid items	-17,854,554		-13,211,084	1,748,474

# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS



Unit: Yuan Currency: RMB

Items of non-recurring profit or loss	Amount for 2018	Note (if applicable)	Amount for 2017	Amount for 2016
Other profit and loss items that meet the definition of non-recurring items	416,149,065	Mainly due to the recognition of the valuation gain based on the difference between the fair value and the book value of the equity interest in Hanwei Company held by the Company before the acquisition date and measured at fair value on the acquisition date, upon the acquisition of Hanwei Company during the Reporting Period in accordance with the standards on enterprise merger not under common control, and the negative goodwill arising therefrom.		20,176,710
Effects attributable to minority interests	-281,367		197,081	79,135
Effects of income tax	-38,818,623		-7,357,764	-9,859,786
Total	522,737,396		22,270,370	29,658,494

## 11. Items Measured at Fair Value

Applicable  N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Changes during the Reporting Period	Effect on profit for the Reporting Period
Fund investments	22,454,653	15,081,095	-7,373,558	-7,373,558
Wealth management products	491,380,000	651,238,808	159,858,808	7,100,410
Gold investments	16,417,158	17,006,958	589,800	171,743
Other non-current financial assets (CDB Kai Yuan Phase II)	508,058,734	933,328,470	425,269,736	136,996,155
Other non-current financial assets (Luode Dening)	150,000,000	178,086,952	28,086,952	28,086,952
Other equity instruments (Bank of Jiangsu)	1,378,000,000	1,134,000,000	-244,000,000	36,000,000
Other equity instruments (Jiangsu Leasing)	270,898,457	1,102,140,000	831,241,543	28,080,000
Other equity instruments (Fuanda Asset Management Scheme)	0	799,153,680	799,153,680	0
Total	2,837,209,002	4,830,035,963	1,992,826,961	229,061,702

# SUMMARY OF THE COMPANY'S BUSINESS



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

Established on 1 August 1992 in the Jiangsu Province of the People's Republic of China, the Company is the only listed company in the transportation and infrastructure industry of the Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H Shares which were listed on the Stock Exchange. On 16 January 2001, the Company issued 150,000,000 A Shares which were listed on the SSE. The Company established the Level I American Depositary Receipt (ADR) Program which became effective on 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 in the Jiangsu Province and the development and operation of ancillary service areas along such expressways. Apart from the Jiangsu section of 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, Guangjing Expressway, Xicheng Expressway, Xiyi Expressway, Zhendan Expressway, Jiangyin Bridge and Sujiahang Expressway, etc. As at 31 December 2018, 16 road and bridge projects were directly operated and invested by the Company, and over 840 kilometers of the roads and bridges open to traffic were owned or invested by the Company.

The Group's operating areas are located in the Yangtze River Delta, which is the most economically vibrant region in the PRC. 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 Group's core assets, links six large and medium cities namely Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and is one of the busiest expressways in the PRC.

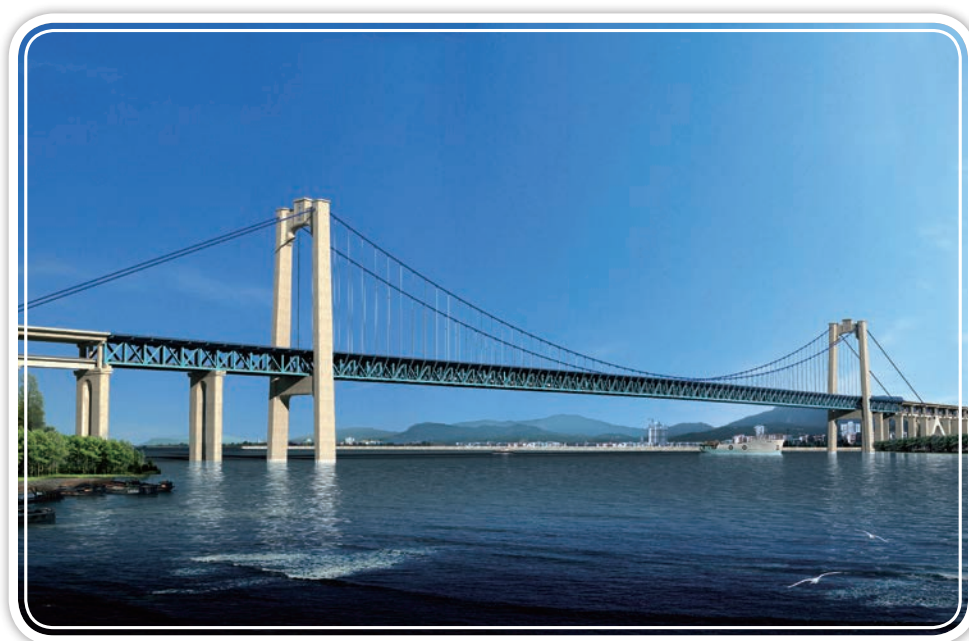
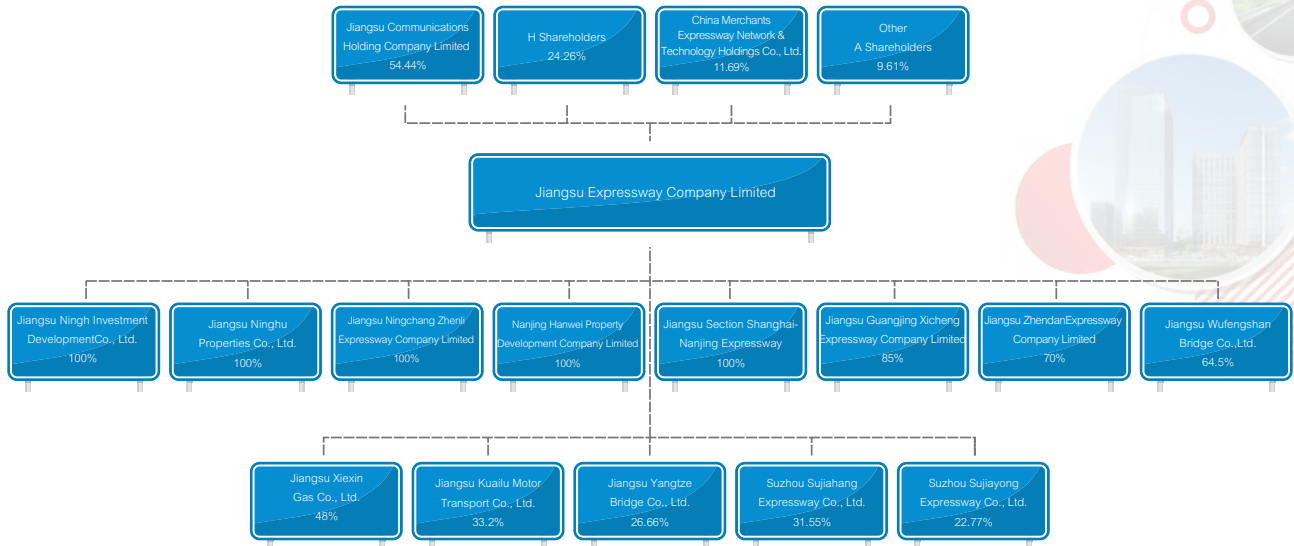
In addition, the Group is also actively exploring and venturing into other new business fields, and is engaged in real estate development, as well as financial, quasi-financial and industrial investments, aiming to further enhance profitability and achieve sustainable development of the Group. As at 31 December 2018, the Company owned four wholly-owned subsidiaries, three non-wholly-owned subsidiaries and participated in eleven joint ventures by shares, with total assets of approximately RMB48,163 million and net assets of approximately RMB29,354 million.



# SUMMARY OF THE COMPANY'S BUSINESS



## Major assets structure of the Group



# SUMMARY OF THE COMPANY'S BUSINESS



## II. Analysis of Core Competitiveness during the Reporting Period

Applicable       N/A

The core business of the Company is the investment, construction, operation and management of transport infrastructure. The roads operated by the Company play a dominant role in the expressway networks in southern Jiangsu. The Company's distinct competitive edges in operation and development include its unique geographical advantages, a network of highly effective operation systems and strong investment and financing ability.

**Unique geographical advantages.** 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 components of the road transport corridors linking the two important industrial belts along the Yangtze River, Shanghai and Nanjing in the southern part of Jiangsu. The prosperous economy in the region and the Group's quality road resources lay a firm foundation for the Company's development and promote the sustainable and steady improvement on the Group's economic efficiency.

**Leading capability in operation management.** The Company has developed a comprehensive management system of expressway operation and management, and has formulated an advanced system of expressway operation and management, which has also introduced a relatively comprehensive management mechanism on road accessibility and rescue and has accumulated rich experience in the long-term road operations. The Company meets the relevant road quality indicators and possesses strong capability in maintaining smooth traffic flow, which takes a leading position in the industry.

**Strong capability in investment and financing management.** As one of the first batch of the listed companies engaged in expressway operation and management in the PRC, the Company is relatively experienced in investment research on expressways, possesses adequate cash flows and has gained considerable revenue from the investment projects. As a company whose A Shares and H Shares are listed, the Company is engaged in expressway operation and management. The Company has also been maintaining a high credit rating and keeping smooth financing channels at relatively low financing costs. The Company's excellent capability in investment and financing management has laid a relatively sound foundation for the exploitation and integration of high quality road and bridge assets in the region, investment in construction and operation of toll road and bridge projects as well as generation of profits therefrom in the future.





# DISCUSSION AND ANALYSIS OF THE OPERATIONS



## I. DISCUSSION AND ANALYSIS OF THE OPERATION

In 2018, the Group vigorously strengthened its principal businesses, focused on realizing the benefits of road-based resources, and strove to amplify the functions of capital, by which the Group's operating efficiency reached a higher level.

**The principal businesses were strengthened to build a firm foundation.** During the Reporting Period, the Company's principal businesses developed steadily, and the traffic flow and toll revenue of its road network maintained steady growth. The Company actively promoted the construction of four major new projects, in which Zhendan Expressway, the first green recycling low-carbon model road in Jiangsu, was successfully completed and open to traffic in September 2018. The investments in the construction of Wufengshan Toll Bridge, Changyi Expressway and Yichang Expressway progressed steadily. The mileage of expressway operated and managed by the Group has further increased, further stabilizing its position in the expressway network in southern Jiangsu, and therefore the effectiveness of scale of the road network further emerged.

**Road-based resources were fully used to improve efficiency through innovation.** During the Reporting Period, the Company continued to effectively and efficiently promote the transformation and upgrading of the business model of the service area. In particular, Meicun service area, Xianrenshan service area, Huanglishu service area and Fangmaoshan service area were completed and officially commenced operation. The upgrading and reconstruction of Yangcheng Lake service area and Douzhuang service area is being carried out in an orderly manner and is close to completion. In terms of the operation of the petroleum products business, the Company introduced a competitive mechanism, resulting in an year-on-year increase in the gross profit margin of petroleum products by 5.95 percentage points in 2018. Under the innovative road-based economic development model, the Company achieved an overall improvement in operational and social benefits and accumulated replicable management experience, laying a foundation for the Company to deeply explore the potential economic benefits of its new projects.

**Prudent investment in ancillary businesses to achieve long-term steady development.** During the Reporting Period, in response to the systematic downturn of the capital market, the Company strengthened its investment and financing research, and acted in a counter-cyclical manner by purchasing financial equity through subscribing for the Asset Management Scheme of Fuanda Fund, establishing a commercial factoring company by seizing market opportunities, and acquiring 30% equity of Hanwei Company. Amidst a market environment where money was tight, the Company leveraged credit advantage to adjust its financing strategy in a timely manner, as such effectively satisfied the large capital requirements of investment projects with lower capital costs. As for the real estate business, the Company put more effort into reducing inventory resulting in greater economic benefits. By means of multi-channel investment, the Company optimized the efficiency of capital, assets and capital allocation, realizing synergetic development between principal and ancillary businesses.



# DISCUSSION AND ANALYSIS OF THE OPERATIONS



## (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 on the supply side. Economic restructuring was optimized. New development momentum was further strengthened, by which the economic operations remained within a reasonable range. Macroeconomic regulation and control objectives were better achieved. The economy maintained growth in a medium-to-high speed, and the total economy reached a higher level. In 2018, the gross domestic product (GDP) grew by 6.6% over the previous year, achieving the expected growth target of around 6.5%. This growth rate ranked the first among the world's top five economies. China's economic growth contributed nearly 30% of the world economic growth, and still was the largest contributor to the world economic growth. During the Reporting Period, the gross regional product in the Jiangsu Province recorded a year-on-year increase of 6.7%, reflecting the province's overall steady economic growth. Further, more effort was placed in implementing reform and opening up in a more efficient manner, and the transformation from the old momentum to the new was still ongoing, making a good start on the high-quality development (*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 maintained a relatively stable and natural growth with the comprehensive effect of the multiple factors in the macroeconomic and regional economic environment during the Reporting Period.

#### (2) *Development of demands for transportation*

During the Reporting Period, the full-year turnover of passengers in Jiangsu Province increased by 2.0% and turnover of goods decreased by 0.4%. The port cargo throughput was 2,330 million tons, representing an increase of 0.6% compared to that last year, of which 490 million tons were foreign trade cargo throughput, representing an increase of 0.5%. The container throughput was 17.98 million standard containers, representing an increase of 4.4%.

At the end of the Reporting Period, a total of 17,832,000 vehicles for civilian use were owned in the Jiangsu Province, representing a net increase of 1,638,000 vehicles, and representing an increase of 10.1% as compared to that at the end of the previous year; of which 10,668,000 private sedans were owned, representing a net increase of 792,000 vehicles, and representing an increase of 8.0% 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.

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

At the end of the Reporting Period, the total operating expressway mileage in the Jiangsu Province was 4,710 kilometers, with additional mileage of 18 kilometers. The railway operation mileage was 3,014 kilometers, with additional mileage of 243.1 kilometers and main lines of railways extended 5,258.6 kilometers, with additional mileage of 522.7 kilometers (*Data source: governmental statistics information website*). During the Reporting Period, newly constructed and completed projects of expressways and railways did not have obvious diversion impact on toll road and bridge projects of the Group.

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

During the Reporting Period, the Central Government and local governments have not promulgated policies which would have greater effect on the toll roads industry. The policies on toll-free travel for small passenger vehicles in major festivals and holidays and toll-free "green passage" for vehicles carrying fresh and live agricultural products were continuously implemented, so the policy environment for the industry was relatively stable. In December 2018, the "Regulations on the Administration of Toll Roads (Revised Draft for Consultation)" was promulgated, which imposed more flexible regulations on the profit-making expressway concession period, and established a tolling system for profit-making expressway maintenance and management. The regulations, if finally implemented, will have a certain positive impact on maintaining the reasonable return to investors and the sustainable operation of the Company.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS



### 2. Operation and management measures

In 2018, the Company stably improved the expressway operation and management level and the road operation capability, and strengthened road maintenance management, hindrance clearance and maintaining smooth traffic flow and smart control, thereby provide safer, faster and higher-quality traffic services for drivers and passengers. Specific measures are as follows:

**There was steady improvement on the road quality of Shanghai-Nanjing Expressway by focusing on new mode of maintenance management.** The Company deepened the concept of maintenance throughout the life span, adhered to the principle of preventive maintenance, adopted scientific conservation measures to improve the performance and life span of the road, and proactively promoted the transformation of maintenance work from passive adaptation to active prevention. Through refining the maintenance quality control, the quality of the roads remained stable and improved despite of heavy traffic volume and continuous natural deterioration of road condition. In particular, MQI and PQI, the two major indexes of maintenance quality, were 95.83 and 94.04, 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%. The establishment of a standardized maintenance management system was advanced continuously through optimizing the construction of the maintenance system and promoting the collaboration with specialized units, intensive construction and refined supervision in road maintenance, thereby improved the Company's management.

**Remarkable achievements were made in response to heavy traffic volume by adhering to the new concept on hindrance clearance and smooth traffic maintenance.** The Company implemented smooth traffic maintenance plan for the super-large traffic section and constructed "model smooth traffic road". Meanwhile, the research titled "Key Technology Research and Engineering Demonstration on the Smooth Traffic Maintenance of Super Large Traffic Section of Shanghai-Nanjing Expressway" was selected as the 2018 key scientific research plan by the Ministry of Transport. The Company conducted road management on an integrated basis. Mainly, the Company put more effort into establishing "rescue station" and the ground-to-air stereoscopic rescue system to make the hindrance clearance and rescue tasks done in a faster and more efficient way. Partially, the Company adopted physical expansion to eliminate the traffic bottleneck of the relevant road sections, by which the time of passing large traffic sections was effectively shortened and the traffic capacity was significantly improved. During the Reporting Period, the Company performed a total of 22,316 hindrance clearance tasks on all fronts with an average of about 61 tasks per day. The overall rate of arrival within 20 minutes was about 97.6% and the rate of easing traffic congestion within one hour was about 98.8%, maintaining its domestic leading position in the efficient accessibility level to roads under huge traffic flow condition and the capability in response to exceptional situations.

**New initiatives of smart control were vigorously implemented to ensure smooth traffic by leveraging the most cutting-edge technology.** The Company actively implemented the "Internet + Accessible Transportation" by carrying out three types of cloud-based business deployment namely surveillance video, intelligence board and voice, in which the Company completed cloud-based connection of 463 channels of monitors, 75 channels of variable information boards, 106 channels of IP intercom equipment and 26 channels of weather monitoring equipment. In addition, the Company conducted the Internet-of-Things transformation on the traditional traffic safety facilities through introducing smart traffic cones and other automated safety protection equipment, which enabled it to achieve the "precision to the closest meter and accuracy to the nearest second" when collecting and releasing the information on road conditions, travel experience of drivers and passengers was further improved as a result. The Company took a new step in lane control by experimentally deploying the "N+1" dynamic traffic control system in the super-large traffic sections and the congested points, which significantly improved the traffic efficiency, reflecting another highlight in terms of "smart expansion". The operating charges reached new high, and the upgrading of HD plate recognition system and the connection of the mobile payment system have been completed, following which the accuracy rate of plate recognition reached over 95%, and the proportion of mobile payment to the manual tolling amount has exceeded 30%, driving the traffic capacity up to a higher level.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### 3. Business performance and analysis of project operation

During the Reporting Period, the Group recorded toll revenue of approximately RMB7,460,486,000, representing a year-on-year increase of approximately 5.01% and representing approximately 74.84% of the total operating revenue of the Group. Of which, Shanghai-Nanjing Expressway recorded an average daily traffic volume of 95,019 vehicles, representing a year-on-year increase of approximately 4.87%, and an average daily toll revenue of approximately RMB13,711,260, representing a year-on-year increase of approximately 4.17%. 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 growth rate of approximately 5.83% throughout the year, representing approximately 78.91% of the total traffic volume. Whereas traffic volume of trucks increased by approximately 1.44% throughout the year, representing approximately 21.09% of the total traffic volume.

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. During the Reporting Period, their overall movements in traffic volumes of passenger vehicles and trucks were basically consistent with that of Shanghai-Nanjing Expressway. 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		2018		2017		Year-on-year %
Shanghai-Nanjing Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	74,978	78.91%	70,848	78.20%	5.83
	Traffic volume of trucks ( <i>vehicle/day</i> )	20,041	21.09%	19,756	21.80%	1.44
	Total traffic volume ( <i>vehicle/day</i> )	95,019	–	90,603	–	4.87
	Average daily toll revenue ( <i>RMB'000/day</i> )	13,711.26	–	13,162.67	–	4.17
Ningchang Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	30,305	74.35%	27,516	74.09%	10.14
	Traffic volume of trucks ( <i>vehicle/day</i> )	10,456	25.65%	9,625	25.91%	8.63
	Total traffic volume ( <i>vehicle/day</i> )	40,761	–	37,140	–	9.75
	Average daily toll revenue ( <i>RMB'000/day</i> )	2,458.95	–	2,234.69	–	10.04
Zhenli Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	8,608	64.82%	7,032	60.08%	22.41
	Traffic volume of trucks ( <i>vehicle/day</i> )	4,671	35.18%	4,672	39.92%	-0.03
	Total traffic volume ( <i>vehicle/day</i> )	13,279	–	11,704	–	13.46
	Average daily toll revenue ( <i>RMB'000/day</i> )	702.31	–	681.18	–	3.1
Guangjing Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	56,756	78.89%	53,628	78.93%	5.83
	Traffic volume of trucks ( <i>vehicle/day</i> )	15,189	21.11%	14,319	21.07%	6.08
	Total traffic volume ( <i>vehicle/day</i> )	71,945	–	67,946	–	5.88
	Average daily toll revenue ( <i>RMB'000/day</i> )	836.85	–	794.27	–	5.36

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



Project	2018		2017		Year-on-year %
	Traffic volume	Revenue	Traffic volume	Revenue	
Xicheng Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	64,660 79.36%	61,118 79.55%	5.80	
	Traffic volume of trucks ( <i>vehicle/day</i> )	16,817 20.64%	15,713 20.45%	7.03	
	Total traffic volume ( <i>vehicle/day</i> )	81,477 –	76,831 –	6.05	
	Average daily toll revenue ( <i>RMB'000/day</i> )	1,685.95 –	1,582.53 –	6.54	
Xiyi Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	18,529 83.63%	17,224 82.46%	7.58	
	Traffic volume of trucks ( <i>vehicle/day</i> )	3,627 16.37%	3,664 17.54%	-1.02	
	Total traffic volume ( <i>vehicle/day</i> )	22,155 –	20,888 –	6.07	
	Average daily toll revenue ( <i>RMB'000/day</i> )	867.04 –	831.54 –	4.27	
Wuxi Huantaihu Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	8,633 85.87%	6,458 83.18%	33.67	
	Traffic volume of trucks ( <i>vehicle/day</i> )	1,421 14.13%	1,306 16.82%	8.80	
	Total traffic volume ( <i>vehicle/day</i> )	10,054 –	7,764 –	29.48	
	Average daily toll revenue ( <i>RMB'000/day</i> )	106.91 –	86.15 –	24.1	
Zhendan Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	10,088 88.35%	– –	–	
	Traffic volume of trucks ( <i>vehicle/day</i> )	1,330 11.65%	– –	–	
	Total traffic volume ( <i>vehicle/day</i> )	11,417 –	– –	–	
	Average daily toll revenue ( <i>RMB'000/day</i> )	149 –	– –	–	
Nanjing-Lianyungang Highway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	3,441 69.06%	3,637 63.56%	-14.23	
	Traffic volume of trucks ( <i>vehicle/day</i> )	1,541 30.94%	2,085 36.44%	-26.35	
	Total traffic volume ( <i>vehicle/day</i> )	4,982 –	5,723 –	-18.39	
	Average daily toll revenue ( <i>RMB'000/day</i> )	79.43 –	90.97 –	-11.42	
Jiangyin Bridge	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	68,781 76.13%	64,310 76.36%	6.95	
	Traffic volume of trucks ( <i>vehicle/day</i> )	21,565 23.87%	19,906 23.64%	8.33	
	Total traffic volume ( <i>vehicle/day</i> )	90,346 –	84,216 –	7.28	
	Average daily toll revenue ( <i>RMB'000/day</i> )	3,269.03 –	3,051.24 –	7.14	
Sujiahang Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	44,806 67.92%	40,613 66.37%	10.33	
	Traffic volume of trucks ( <i>vehicle/day</i> )	21,162 32.08%	20,581 33.63%	2.82	
	Total traffic volume ( <i>vehicle/day</i> )	65,968 –	61,194 –	7.80	
	Average daily toll revenue ( <i>RMB'000/day</i> )	3,378.16 –	3,041.63 –	11.06	

# DISCUSSION AND ANALYSIS OF THE OPERATIONS



Project		2018		2017		Year-on-year %
Yanjiang Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	39,448	74.39%	38,249	74.63%	3.14
	Traffic volume of trucks ( <i>vehicle/day</i> )	13,581	25.61%	13,000	25.37%	4.47
	Total traffic volume ( <i>vehicle/day</i> )	53,029	–	51,249	–	3.47
	Average daily toll revenue ( <i>RMB'000/day</i> )	4,092.89	–	3,958.36	–	3.4
Changjia Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	10,729	64.75%	8,633	65.49	24.28
	Traffic volume of trucks ( <i>vehicle/day</i> )	5,840	35.25%	4,549	34.51	28.38
	Total traffic volume ( <i>vehicle/day</i> )	16,569	–	13,182	–	25.70
	Average daily toll revenue ( <i>RMB'000/day</i> )	409.01	–	308.65	–	32.52

Note 1: Panjiahuayuan Toll Station of Nanjing-Lianyungang Highway ceased to charge tolls since 00:00 on 1 June 2018. The data of this table regarding the traffic volume and toll revenue of Nanjing-Lianyungang Highway are during the period from January to May 2017 and during the same period from January to May 2018.

Note 2: Zhendan Expressway was open for traffic on 30 September 2018.

#### 4. Business Development

##### (1) Completion and open for traffic of Zhendan Expressway Project

Zhendan Expressway Project was officially completed and open for traffic on 30 September 2018. Northerly starting from the south Dagang Intersection of Taizhou Bridge and southerly connecting the Danyang New District Intersection of Shanghai-Jiangsu Expressway, it has a full length of 21.63 kilometres and is the first green, recycling and low-carbon model road in Jiangsu Province. The completion of the project is of great significance in promoting the development of the riverside areas in Jiangsu and improving the regional expressway network. Meanwhile, it is expected to become a new source of profit growth of the Company.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### (2) Acceleration of the construction of new projects

During the Reporting Period, the Company continuously accelerated the construction of its new road and bridge projects in an active and orderly manner. As at the end of the Reporting Period, Wufengshan Bridge Project had incurred an aggregate investment of approximately RMB6,477 million, representing approximately 53.68% of the total investment of the project; Changyi Expressway Phase I Project had incurred an aggregate investment of approximately RMB2,057 million, representing approximately 54.14% of the total investment of the project; and Yichang Expressway Project had incurred an aggregate investment of approximately RMB1,420 million, representing approximately 35.70% of the total investment of the project.

### (3) Resolution of the matter concerning the compensation for the removal of Panjiahuayuan Toll Station of Nanjing-Lianyungang Highway

With the accelerated urbanization in the areas along Nanjing-Lianyungang Highway in recent years, Panjiahuayuan Toll Station has already been located at the sub-central business district of the city. For the purpose of facilitating the development of Jiangbei New District, the Nanjing Municipal Government formally made an application to the Jiangsu Provincial Government in relation to the removal of the Panjiahuayuan Toll Station in May 2017. In November 2017, the Jiangsu Provincial Government issued to the Nanjing Municipal Government the Approval for Consent of Removal of Panjiahuayuan Toll Station of 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)), granting its approval for the removal of Panjiahuayuan Toll Station. On 24 May 2018, the Company, Highway Center, Expressway Management Center and Liuhe District Government formally entered into an agreement for termination of the operating right of Nanjing Section of Nanjing-Lianyungang Highway, which provided that the compensation for removal of the toll station shall be borne by the Liuhe District Government. During the Reporting Period, the Company received the compensation of RMB49.93 million as recognized in a valuation report issued by a third-party valuer. For details of the project, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 26 March 2018 and 24 May 2018.

## (II) Operation of ancillary services

Ancillary services of the Company mainly include sale of petroleum products, food and beverages, retail of goods and other related operations provided at the six service areas along the Shanghai-Nanjing Expressway. During the Reporting Period, the Company realized revenue of approximately RMB1,441,956,000 from ancillary services, representing a year-on-year decrease of approximately 19%. In particular, rental income from service areas amounted to approximately RMB182,579,000, representing a year-on-year increase of approximately 34.57%; sales revenue of petroleum products was approximately RMB1,194,371,000, representing approximately 82.83% of the total revenue from ancillary services, representing a year-on-year decrease of approximately 21.50%; and other income was approximately RMB65,006,000.

According to the plan for upgrading the business models of the service areas of the Company, the Company adopted the "outsourcing + supervision" and "platform expansion" models to outsource and upgrade all service areas in their entirety along Shanghai-Nanjing Expressway, further developing the geographic advantages and potential economic benefits of the road. In particular, Meicun service area was outsourced for a term of 6 years with a rent totaling RMB280 million. Huanglishu service area was outsourced for a term of 6 years with a rent totaling RMB130 million. Xianrenshan service area was outsourced for a term of 6 years with a rent totaling RMB140 million. Fangmaoshan service area was outsourced for a term of 8 years with a rent totaling RMB185 million. Yangcheng Lake service area was outsourced for a term of 9 years with a rent totaling RMB185 million. Douzhuang service area was outsourced for a term of 8 years with a rent totaling RMB160 million. As at the date of issuing this report, the upgrading and transformation of Meicun service area, Huanglishu service area, Xianrenshan service area and Fangmaoshan service area were completed and put into formal operation, thereby creating brand new tourist complexes featuring diversified operations, seamless layout, complete facilities and comprehensive functions. The contracts in relation to Yangcheng Lake service area and Douzhuang service area have been signed, of which the upgrading and transformation will be carried out in an orderly manner.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

In respect of improving the operating efficiency, the Company proactively coped with new changes in the supply and demand in the refined oil market by continuously implementing the competitive mechanism and deepening the process of market-oriented procurement with an aim to actively pursue a greater profit margin. Thus, the Company recorded a remarkable increase in the overall profits derived from the sales of petroleum products in 2018, reflecting a year-on-year increase of 5.95 percentage points in the gross profit margin of petroleum products during the Reporting Period.

During the Reporting Period, affected by the shutdown for reconstruction of double-layer oil tank in gas stations, the Company's sales volume of petroleum products decreased by approximately 31.74% year-on-year. In particular, the sales volume of gasoline decreased by approximately 19% year-on-year, and the sales volume of diesel decreased by approximately 63% year-on-year, mainly due to the decline in diesel demand. 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 5.95 percentage points in the gross profit margin of petroleum products business and an annual increase of over RMB46 million in operating profit in 2018. Revenue from other businesses including food and beverages, retail of goods, lease and hindrance clearance services was approximately RMB247,585,000, representing a year-on-year decrease of approximately 4.29%.

### (III) Business of property development and sales

In 2018, under the backdrop of continuous in-depth regulation and control policies over the domestic real estate market, the sales area of commodity housing was 1,716.54 million square meters, representing an increase of 1.3% from the previous year. In response to the changes in the market environment, the Company adjusted its marketing strategy on the real estate business during the Reporting Period in a timely manner to focus on reducing real estate inventory and accelerating the movement of the existing inventory in carrying out the annual marketing activities, under which the Company made smooth progress in the development, sales and delivery of each property project. As a result, the Company's real estate business realized better profits, which in turn continuously contributed to the growth of the Group's performance.

During the Reporting Period, the net profit after tax realized by Ninghu Properties was approximately RMB152,699,000, representing a year-on-year increase of approximately 40.37%. During this year, pre-sale revenue of RMB438,010,000 was realized, a total of 268 units were delivered, with sales revenue carried forward amounting to approximately RMB1,004,454,000.

The construction and sale of the Hanrui Center Project developed by Hanwei Company were carried out as scheduled. Construction up to structure level 24 of the Grade A Office Building (Building No. 1) was completed; and for the LOFT Office Building (Building No. 2) and the Hotel Apartment (Building No. 3), the main structure and interior painting were completed, and floor construction and main keel installation of exterior curtain wall were also completed.

Costs of real estate development are as follows:

Unit: Yuan Currency: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Baohua Hongyan Community A Project	September 2018	September 2024	2,455,800,000	311,932,670	316,629,081
Huaqiao Urban Core Project	December 2012	June 2023	3,089,100,000	523,619,590	663,146,331
Suzhou Nanmen Road G25 Project (Note 1)	October 2018	October 2020	1,146,300,000	841,977,385	78,850,451
Hanrui Core (Note 2)	October 2016	November 2019	1,660,000,000	-	1,463,806,420
Total			8,351,200,000	1,677,529,645	2,522,432,284

Note 1: Suzhou South Road G25 Project was planned to build 10 high-rise and small high-rise residential buildings, of which Phase 1 comprising 8 buildings have been completed and accepted and transferred to properties for sale in January 2018, and the remaining Phase 2 comprising two 2 buildings are still in the stage of preparation for construction as at the end of the Reporting Period.

Note 2: During the Reporting Period, the Company appointed a professional institution to assess the value of total shareholder's equity of Hanwei Company based on the value of the asset-based approach after acquiring 30% equity of Hanwei Company held by Nanjing Luode Deshi Equity Investment LLP (hereinafter referred to as "Deshi Fund") and re-measured the total assets and liabilities held by Hanwei Company on the acquisition date based on the assessment results.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS



Products of real estate development for sale are as follows:

Unit: Yuan Currency: RMB

Project name	Completion date	Opening balance	Increase during this year	Decrease during this year	Closing balance
Suzhou Qingyuan Baohua Hongyan Community	December 2013	568,373,818	–	28,154,740	540,219,078
B1 Tongchengshijia Project	April 2014	114,159,768	–	7,125,295	107,034,473
Baohua Hongyan Community B2 Tongchengshijia Project	November 2016	294,754,789	–	72,140,968	222,613,821
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	August 2012	11,573,341	–	–	11,573,341
Huaqiao Urban Core C7 Pujiang Building	June 2014	252,179,129	–	–	252,179,129
Huaqiao Urban Core B4 Tongcheng Guangmingjiezuo	June 2015	45,335,759	–	1,670,975	43,664,784
Huaqiao Urban Core B19 Tongcheng Guangmingxinzuo	December 2016	22,865,452	–	4,324,445	18,541,007
Suzhou Nanmen Road G25 – Suzhou Nanmen Shijiahuating	January 2018	–	789,984,814	475,395,009	314,589,805
<b>Total</b>		<b>1,309,242,056</b>	<b>789,984,814</b>	<b>588,811,432</b>	<b>1,510,415,438</b>

#### (IV) Advertising and other businesses

Other businesses of the Company mainly comprised the advertising businesses provided by Ninghu Investment, a subsidiary of the Company, and property services provided by Ninghu Properties, a subsidiary of the Company. During the Reporting Period, the investment companies completed the integration and transfer of advertising business in an orderly manner, actively studied the transformation and development, adjusted and optimized the overall business structure. The Company, Communications Holding, Xinhua Media, Jinghu Company, Orient Operation Company and Orient Road & Bridge Company jointly invested RMB268 million to establish Media Company. The establishment of Media Company is beneficial to the centralized management of transportation media resources in Jiangsu Province, and to further explore and enhance the value of the advertising resources on expressways so as to improve the Company's image in society. During the Reporting Period, the Group realized revenue from advertising and other businesses of approximately RMB62,116,000, representing a year-on-year increase of approximately 1.14%.

## II. Primary Operating Conditions during the Reporting Period

During the Reporting Period, the Group accumulatively realized a total operating revenue of approximately RMB9,969,011,000 with a year-on-year increase of approximately 5.43%, of which toll revenue amounted to approximately RMB7,460,486,000, representing a year-on-year increase of approximately 5.01%. Revenue from the ancillary business amounted to approximately RMB1,441,956,000, representing a year-on-year decrease of approximately 19%. Revenue from property sales amounted to approximately RMB1,004,454,000, representing a year-on-year increase of approximately 97.05%. Revenue from advertising and other activities amounted to approximately RMB62,116,000, representing a year-on-year increase of approximately 1.44%. Under the PRC Accounting Standards, the Group realized operating profit of approximately RMB5,660,939,000 during the Reporting Period, representing an increase of approximately 19.82% as compared to that of the corresponding period in 2017. Net profit attributable to the shareholders of the Company amounted to approximately RMB4,376,604,000, and earnings per share was approximately RMB0.8688, representing an increase of approximately 21.98% as compared to that of the corresponding period in 2017. The operating results reached a record high.

# DISCUSSION AND ANALYSIS OF THE OPERATIONS

## (I) Analysis of principal businesses

1. Table of analysis of changes in the 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	9,969,011,165	9,455,680,365	5.43
Operating costs	4,574,394,775	4,334,469,882	5.54
Selling expenses	37,740,441	11,891,705	217.37
Administrative expenses	211,774,236	187,898,191	12.71
Financial expenses	524,560,684	480,441,961	9.18
Net cash flow from operating activities	5,715,489,507	5,232,104,978	9.24
Net cash flow from investing activities	-4,773,577,639	-7,582,966,202	-37.05
Net cash flow from financing activities	-689,543,647	2,419,346,946	-
Business taxes and surtaxes	168,977,540	87,587,512	92.92
Impairment losses of assets	-	217,724,263	-100
Credit impairment losses	33,670	-	-
Gain on changes in fair value	158,299,349	5,659,094	2,697.26
Investment income	1,056,795,788	586,872,528	80.07
Non-operating income	21,943,624	14,176,399	54.79

2. Analysis of revenue and costs

Applicable  N/A

The Group had an aggregate operating revenue of approximately RMB9,969,011,000 during the Reporting Period, representing an increase of approximately 5.43% as compared to the same period in 2017. Total operating costs were approximately RMB4,574,395,000, representing a year-on-year increase of approximately 5.54% as compared to the same period in 2017. The consolidated gross profit margin of the Group remained roughly the same year-on-year.

Components of revenue:

Unit: Yuan Currency: RMB

Item of operating revenue	For the Reporting Period	Percentage	For the same period in 2017	Percentage	Year-on-year increase/decrease
Toll road business	7,460,485,818	74.84	7,104,363,726	75.13	-0.29
Ancillary services business	1,441,955,573	14.46	1,780,145,565	18.83	-4.37
Property sales business	1,004,453,761	10.07	509,752,364	5.39	4.68
Advertising and other businesses	62,116,013	0.63	61,418,710	0.65	-0.02
Total	9,969,011,165	100	9,455,680,365	100	-

# DISCUSSION AND ANALYSIS OF THE OPERATIONS

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

Unit: Yuan Currency: RMB

By industries	Principal operating activities classified 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	7,460,485,818	2,614,094,988	64.96	5.01	13.56	Decreased by 2.64 percentage points
Shanghai- Nanjing Expressway	5,004,610,182	1,511,763,092	69.79	4.17	16.73	Decreased by 3.25 percentage points
Nanjing- Lianyungang Highway	11,994,024	2,100,153	82.49	-63.88	-92.51	Increased by 66.98 percentage points
Guangjing Expressway and Xicheng Expressway	920,821,006	286,408,735	68.90	6.14	11.71	Decreased by 1.55 percentage points
Ningchang Expressway and Zhenli Expressway	1,153,861,875	586,641,984	49.16	8.42	9.18	Decreased by 0.35 percentage point
Xiyi Expressway and Wuxi Huantaihu Expressway	355,490,993	207,827,573	41.54	6.13	12.33	Decreased by 3.23 percentage points
Zhendan Expressway	13,707,738	19,353,451	-41.19	-	-	-
Ancillary services business	1,441,955,573	1,361,765,776	5.56	-19	-21.24	Increased by 2.68 percentage points
Property sales business	1,004,453,761	573,087,120	42.95	97.05	104.67	Decreased by 2.12 percentage points
Advertising and other businesses	62,116,013	25,446,891	59.03	1.14	7.65	Decreased by 2.48 percentage points
Total	9,969,011,165	4,574,394,775	54.11	5.43	5.54	Decreased by 0.05 percentage point
By products	Principal operating activities classified by products					
	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue over the corresponding period of last year (%)	Change in operating cost over the corresponding period of last year (%)	Change in gross profit margin over the corresponding period of last year (%)
	-	-	-	-	-	-
By regions	Principal operating activities classified by regions					
	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue over the corresponding period of last year (%)	Change in operating cost over the corresponding period of last year (%)	Change in gross profit margin over the corresponding period of last year (%)
Jiangsu Province	9,969,011,165	4,574,394,775	54.11	5.43	5.54	Decreased by 0.05 percent point

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

Explanations on the position of principal operating activities classified by industries, by products and by regions

Applicable  N/A

Last year, the Company made provision for impairment of intangible assets for the concession right of Nanjing-Lianyungang Highway of approximately RMB217,738,000. As a result, the concession right of Nanjing-Lianyungang Highway was not subject to amortization over the Reporting Period, resulting in a higher gross profit margin of Nanjing-Lianyungang Highway during the Reporting Period.

### (2) Analysis of costs

Unit: Yuan Currency: RMB

By industries	Components of costs	By industries				Changes in percentage of the amount for the Reporting Period compared with the same period last year (%)	Explanation of the situation
		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 (%)		
Toll road operations	-	2,614,094,988	57.14	2,301,862,413	53.10	13.56	-
-	Depreciation and amortization	1,327,322,713	29.02	1,281,795,107	29.57	3.55	
-	Costs on maintenance	362,811,697	7.93	205,626,217	4.74	76.44	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	78,688,580	1.72	42,607,191	0.98	84.68	Mainly due to the outsourcing of service areas, the relocation and renovation of original power supply and lighting facilities; the cancellation of procurement of some operating equipment at provincial toll stations during the Reporting Period.
-	Costs on toll collection	162,159,922	3.54	134,580,213	3.11	20.49	Mainly due to the opening of the Zhenan Expressway, as well as the renovation of housing construction facilities and greening landscapes along the toll station areas, the cost of collection increased year-on-year during the Reporting Period.
-	Labour costs	683,112,076	14.93	637,253,685	14.70	7.20	Due to the rigid growth of labor costs and the movement of personnel by the transformation of operation mode of service areas, the labor costs of toll road business increased year-on-year during the Reporting Period.
Ancillary service businesses	-	1,361,765,776	29.77	1,728,961,843	39.89	-21.24	-

# DISCUSSION AND ANALYSIS OF THE OPERATIONS

Unit: Yuan Currency: RMB

By industries	Components of costs	By Industries				Changes in percentage of the amount for the Reporting Period compared with the same period last year (%)	Explanation of the situation
		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 (%)		
-	Raw materials	1,027,318,343	22.46	1,433,125,919	33.06	-28.32	Mainly due to the decrease in sales of oil products and the rental of some service areas, the procurement cost of raw materials decreased year-on-year during the Reporting Period.
-	Depreciation and amortization	49,992,320	1.09	48,239,865	1.11	3.63	
-	Labour costs	208,866,531	4.57	185,924,504	4.29	12.34	Due to the rigid growth of labor costs and the outsourcing of maintenance business, arrangement of personnel to the clearing business, resulting in the year-on-year increase of labor costs for ancillary service businesses during the Reporting Period.
-	Other costs	75,588,582	1.65	61,671,555	1.43	22.57	Mainly due to coping with the upgrading and renovation of the service areas during the Reporting Period, the costs of maintenance and property management increased year on year.
Property sales businesses	-	573,087,120	12.53	280,007,835	6.46	104.67	During the Reporting Period, the scale of delivery and transfer of real estate projects increased year-on-year, resulting in a year-on-year increase in the cost of real estate sales business.
Advertising and other businesses	-	25,446,891	0.56	23,637,791	0.55	7.65	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.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

(3) *Major Sales Customers and Major Suppliers*

Applicable  N/A

As 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. In addition, the Group has no bulk purchases related to daily operations, the top five suppliers together accounted for less than 30% of the Company's purchases. Thus, no further disclosure of information of the Group relating to major customers and suppliers is needed.

3. Expenses

Applicable  N/A

(1) *Administrative expenses*

During the Reporting Period, administrative expenses incurred by the Group were approximately RMB211,774,000 in aggregate, representing an increase by approximately 12.71% over the same period last year. The budgetary control of administrative expenses of the Company was in good condition in 2018 due to 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 continuous increase in labour costs and the higher fees charged by agencies, such as the audit and consultancy firms.

(2) *Financial expenses*

During the Reporting Period, as loan interest was expensed after Zhendan Expressway was open for traffic and successive capital investment was made in the ongoing road and bridge construction of project companies, there was a year-on-year increase in the average amount of interest-bearing debts of the Company. Meanwhile, with higher capital cost due to tightening regulation of the financial market and other reasons, the consolidated loan interest rate of the Company's interest-bearing debts increased year-on-year. The financial expenses of the Group were approximately RMB524,561,000 in aggregate, representing a year-on-year increase of approximately 9.18%.

(3) *Selling expenses*

During the Reporting Period, the Group's aggregate selling expenses were approximately RMB37,740,000, representing a year-on-year increase of approximately 217.37%. It was mainly due to inclusion of Hanwei Company in the scope of consolidation and the increase in advertisement and promotion fee and commission fee for the agent of real estate sales of South Nanjing New City project during the Reporting Period.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



### (4) Taxes and surcharges

During the Reporting Period, Ninghu Properties, a subsidiary of the Company, delivered property projects and the income from delivery was mostly generated before replacement of business tax with value-added tax and tax provision was made for advance settlement of land appreciation tax. As a result, the taxes and surcharges increased by approximately 92.92% year-on-year to RMB168,978,000.

### (5) Income tax

The statutory income tax rate for all companies of the Group was approximately 25%. During the Reporting Period, the income tax expense of the Group was approximately RMB1,176,930,000 in aggregate, representing a year-on-year increase of approximately 14.38%.

### 4. Cash flow

Applicable       N/A

The revenue from the principal business of toll roads of the Group is received in cash, contributing to a stable operating cash flow. During the Reporting Period, the Group's net cash flow generated from operating activities was approximately RMB5,715,490,000, representing a year-on-year increase of approximately 9.24%, mainly due to the increase in toll revenue and the net cash inflow attributable to the inclusion of Hanwei Company in the scope of consolidation. The net cash outflow generated from investment activities was approximately RMB4,773,578,000, representing a year-on-year decrease of approximately 37.05%, mainly due to the fact that the net cash outflow from the purchase of wealth management products and the year-on-year decrease in external payment for ongoing road and bridge construction projects. The net cash outflow incurred from financing activities was approximately RMB689,544,000, as compared with the net cash inflow of approximately RMB2,419,347,000 in the same period last year, mainly due to the year-on-year decrease in the net cash inflow from both of the capital contributions and the borrowings made by minority shareholders to project companies during the Reporting Period.

### 5. Impairment losses of assets/Credit impairment losses

Since the Company made provision for impairment of the concession right of Nanjing-Lianyungang Highway, an intangible asset, impairment losses of assets of approximately RMB217,738,000 were incurred last year. Also, according to the new financial instruments standards, the provision for bad debts of approximately RMB34,000 was included in credit impairment losses during the Reporting Period. As a result, the Group's impairment losses of assets during the Reporting Period decreased year-on-year.

### 6. Non-operating income and expenses

During the Reporting Period, the Group achieved a non-operating income of approximately RMB21,944,000, representing a year-on-year increase of approximately 54.79%, which was mainly due to the negative goodwill arising from the inclusion of Hanwei Company in the scope of consolidation and a year-on-year increase in the compensation income from the damaged road assets during the Reporting Period.

During the Reporting Period, the Group incurred a non-operating expense of approximately RMB30,242,000, representing a year-on-year increase of approximately 22.33%, which was mainly due to a year-on-year increase in the repair expenses of road assets.

### 7. Gain on changes in fair value

During the Reporting Period, the Group recorded a gain on changes in fair value of approximately RMB158,299,000, representing a year-on-year increase of approximately 2,697.26%. It was mainly due to an increase in the estimated value of the Group's equity fund investment reclassified as other non-current financial assets and measured at fair value according to the Accounting Standard for Business Enterprises No. 22.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### 8. Investment income

During the Reporting Period, the Group's investment income was approximately RMB1,056,796,000, representing a year-on-year increase of approximately 80.07%. It was mainly because the Company recognized revaluation gain of approximately RMB430,500,000 upon acquisition of Hanwei Company in accordance with the standards on business combination involving enterprises not under common control during the Reporting Period. In addition, with the increase in profits of Yangtze Bridge Company, Sujiahang Expressway Company and Yanjiang Company, investment income contributed by associates in which the Group held direct equity interest during the Reporting Period amounted to approximately RMB575,193,000, representing a year-on-year increase of approximately 16.34%. Operating results of major companies in which the Group held equity interests are as follows:

Unit: Yuan Currency: RMB

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	631,048,615	199,095,838	4.45	7.59
Yangtze Bridge Company	Mainly responsible for the management and operation of Jiangyin Bridge	631,159,243	26.66	656,010,801	174,892,479	3.91	7.54
Yanjiang Company	Mainly responsible for the management and operation of Yanjiang Expressway	1,466,200,000	25.15	680,176,793	187,728,795	4.19	3.70
Sujiayong Company	Mainly responsible for the management and operation of Changjia Expressway	431,609,486	22.77	-41,675,713	-10,628,060	-	-4.36

\* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume, Sujiahang Company recorded an increase in its net profit as compared with that of the corresponding period last year, and its contribution to the investment revenue increased by approximately 7.59% 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 the investment revenue increased by approximately 7.54% year-on-year.

\* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume and the decrease in interest-bearing debt, financial expenses of Yanjiang Company decreased year-on-year, net profit increased compared with the same period of last year, and its contribution to the investment revenue increased by approximately 3.70%.

\* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume, the operating loss recorded by Sujiayong Company decreased by approximately 4.36% as compared with the same period of last year.



# DISCUSSION AND ANALYSIS OF THE OPERATIONS



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

Applicable  N/A

In accordance with the Company's decision made at the 22nd meeting of the eighth session of the board of directors on 19 March 2018, the Company acquired 30% equity of the joint venture, Hanwei Company, for RMB184,499,800. After the acquisition, Hanwei Company became the Company's wholly-owned subsidiary. On 12 April 2018, Hanwei Company completed relevant formalities for the changes in business registration and other related formalities. The Company's acquisition date of Hanwei Company was 12 April. According to the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment (Revised in 2014), Accounting Standards for Business Enterprises No. 33 – Combined Financial Statements (Revised in 2014) and other relevant requirements, and in accordance with the standards on exerting control over the investee not under common control, for the equity held by the Company in Hanwei Company before the acquisition date in the combined financial statements, professional institution was employed by the Company to assess the net assets of Hanwei Company by using asset-based approach. According to the assessment results, the Company remeasured the equity held by the Company in Hanwei Company before the acquisition date at its fair value on the acquisition date, and value appreciation of approximately RMB430,500,000 from assessment was recognized based on the difference between the fair value and its book value.

## (III) Analysis of Assets and Liabilities

Applicable  N/A

### 1. Assets and Liabilities

Unit: Yuan Currency: RMB

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	649,761,591	1.35	269,357,751	0.63	141.23	Mainly due to an increase in cash at bank and on hand from the beginning of the period caused by the receipt of funds, Changyi Company and Yichang Company and the recent inclusion of Hanwei Company in the scope of consolidation during the Reporting Period.
Prepayments	29,060,041	0.06	10,200,712	0.02	184.88	Mainly due to the increase in prepayments for projects and procurement during the Reporting Period as compared to the beginning of the period.
Other receivables	37,833,951	0.08	106,256,683	0.25	-64.39	Mainly due to the repayment of interest on the shareholders' loan by Hanwei Company during the Reporting Period.
Non-current assets due within one year	-	-	300,000,000	0.71	-100	Mainly due to the repayment of the shareholders' loan by Hanwei Company during the Reporting Period.
Other current assets	130,656,171	0.27	557,742,656	1.31	-76.57	Mainly due to the Group's reclassification of wealth management products as held-for-trading financial assets from other current assets according to Accounting Standard for Business Enterprises No.22.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

Unit: Yuan Currency: RMB

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
Inventory	4,045,555,776	8.40	3,010,805,685	7.08	34.37	Mainly due to an increase in inventories as compared to the beginning of the period caused by recognition of the inventories of Hanwei Company at fair value upon its acquisition by the Company during the Reporting Period.
Available-for-sale financial assets	-	-	2,329,877,191	5.48	-100	Mainly due to the Group's reclassification of available-for-sale financial assets as other equity instruments investment and other non-current financial assets according to Accounting Standard for Business Enterprises No.22.
Other equity instruments investment	3,035,293,680	6.30	-	-	-	Mainly due to the Group's reclassification of its restricted outstanding shares in Jiangsu Leasing and in Bank of Jiangsu as other equity instruments investment according to Accounting Standard for Business Enterprises No.22; the increase in the book value of the other equity instruments investment recognized at fair value as a result of Jiangsu Leasing, partially owned by Guangjing Xicheng Company (a subsidiary of the Company) going public on the A-share market; and the Company's subscription for the Fuanda Fund Management Plan during the Reporting Period.
Other non-current financial assets	1,111,415,422	2.31	-	-	-	Mainly due to the increase in the book value of other non-current financial assets recognized by the Company at fair value caused by the Group's reclassification of its equity investment in limited partnerships as other non-current financial assets according to Accounting Standard for Business Enterprises No. 22.
Construction in progress	10,087,826,331	20.95	8,294,639,339	19.50	21.62	Mainly attributed to investments in road and bridge projects under construction during the Reporting Period.
Deferred income tax assets	197,447,059	0.41	258,020,384	0.61	-23.48	Mainly due to the 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	14,207,792	0.03	200,216,678	0.47	-92.90	Mainly due to the offsetting of entrusted loans from the Company to Hanwei Company as the Group's internal transaction due to the inclusion of Hanwei Company in the scope of consolidation during the Reporting Period.
Short-term borrowings	1,580,000,000	3.28	3,599,000,000	8.46	-56.10	Mainly due to the partial repayment of short-term borrowings by the Company during the Reporting Period.
Receipts in advance	73,454,895	0.15	840,007,370	1.97	-91.26	Mainly due to the Group's reclassification of certain items under receipts in advance as contract liabilities, according to Accounting Standard for Business Enterprises No.14.

# DISCUSSION AND ANALYSIS OF THE OPERATIONS

Unit: Yuan Currency: RMB

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
Contract liabilities	962,200,983	2	-	-	-	Mainly due to the Group's reclassification of certain items under receipts in advance as contract liabilities according to Accounting Standard for Business Enterprises No.14.
Other payables	270,459,371	0.56	217,363,761	0.51	24.43	Mainly due to the increase in the temporary receipts from housing purchase under the property purchase policy and regulations in the presale of property projects of Ninghu Properties at the end of the Reporting Period.
Non-current liabilities due within one year	381,700,433	0.79	623,841,375	1.47	-38.81	Mainly due to the redemption of medium-term notes in an amount of RMB500 million during the Reporting Period.
Long-term borrowings	7,688,853,902	15.96	3,874,089,201	9.11	98.47	Mainly due to the increase in loans for the construction of toll road and bridge projects during the Reporting Period.
Provisions	461,700	-	8,010,000	0.02	-94.24	Nanjing-Lianyungang Highway maintenance project incurred the relevant expenses during the Reporting Period.
Deferred income tax liabilities	250,660,721	0.52	28,056,831	0.07	793.40	Mainly due to the adjustments to other comprehensive income and the corresponding adjustments to deferred income tax liabilities based on the fair value of the equity interest held by Guangjing Xicheng Company, a subsidiary of the Company, in Jiangsu Leasing during the Reporting Period.
Deferred income	43,109,916	0.09	33,638,147	0.08	28.16	Mainly due to the Company's recognition of unrealized profits of Hanwei Company prior to the acquisition during the Reporting Period.
Other comprehensive income	837,827,667	1.74	380,908,923	0.90	119.95	Mainly due to the recognition of other comprehensive income based on the fair value of the Company's equity interest in Jiangsu Leasing that went public on the A-share market during the Reporting Period.
Minority interests	3,216,659,210	6.68	2,374,646,649	5.58	35.46	Mainly due to capital contributions received by subsidiaries during the Reporting Period, and the recognition of other comprehensive income to which the minority shareholders are entitled based on the fair value of the equity interest in Jiangsu Leasing during the Reporting Period.
Total assets	48,162,728,833	100	42,532,491,238	100	13.24	
Total gearing ratio	39.05%	-	39.12%	-	Decreased by 0.07 percentage point	
Net gearing ratio	64.08%	-	64.25%	-	Decreased by 0.17 percentage point	

## Other explanations

The calculation basis for total gearing ratio: liabilities divided by total assets; the calculation basis for net gearing ratio: liabilities divided by shareholders' equity.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

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

Applicable  N/A

Unit: Yuan Currency: RMB

Item	Book value as at the end of the Reporting Period		Reasons for restriction
Bank deposits	1,305,297		Customers' mortgage deposit
Bank deposits	133,329,373		Regulated pre-sale proceeds
Intangible assets	350,336,815		Pledge of toll road concession rights of expressways
Total	484,971,485		

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

At the end of the Reporting Period, other currency funds of the Company included customers' deposit for mortgage loans of RMB1,305,000 and regulated pre-sale proceeds of RMB133,329,000. The regulated pre-sale proceeds are project funds placed in escrow with banks as required by Nanjing Bureau of Housing and Urban-Rural Development (南京市住房和城乡建设局) for the purpose of facilitating the smooth development of property projects and strengthening the supervision of monetary capital for property development projects. Project capital must be paid in full into banks before applications for construction permits are made. Developers shall release the project deposits by tranches depending on the construction progress. The remaining project deposits shall be released upon the completion of the construction and delivery of the units.

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

Guangjing Xicheng Company, a subsidiary of the Company, entered into a loan contract with Wuxi branch of Industrial and Commercial Bank of China in respect of a loan of RMB1,200,000,000 in aggregate, which was secured by the toll road concession right of Guangjing Expressway. As at the end of the Reporting Period, the loan amounted to RMB581,000,000.

### 3. Other explanations

Applicable  N/A

During the Reporting Period, the Group incurred the planned capital expenditure in a sum of approximately RMB4,960,688,000, representing a decrease of approximately RMB2,878,729,000 or approximately 36.72% as compared to 2017. The decrease was mainly due to the investment in the ongoing construction of roads and bridges decreased year-on-year. The breakdown of the capital expenditures incurred by the Group during the Reporting Period is as follows:

Unit: Yuan Currency: RMB

Capital Expenditures	RMB
Investment in the construction of Zhendan Expressway	453,781,992
Investment in the construction of Wufengshan Toll Bridge	2,068,927,365
Investment in the construction of Changyi Expressway	572,417,707
Investment in the construction of Yichang Expressway	337,897,944
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	288,273,581
Equity investment in Jiangsu Communications & Culture Media Company Limited	24,000,000
Subscription for Asset Management Scheme of Fuanda Fund	860,000,000
Acquisition of 30% minority interest of Hanwei company	184,499,800
Alteration and addition of service areas and toll collection points	85,670,300
Construction project of Three Major Systems	23,634,498
Noise barriers construction project	11,118,134
Setting up of billboards	3,058,234
Other construction in progress and equipment	47,408,412
Total	4,960,687,967

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



### 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 position. At the end of the Reporting Period, the total liabilities of the Group amounted to approximately RMB18,808,872,000. The overall gearing ratio of the Group was approximately 39.05% (**Note: the calculation basis of the overall gearing ratio: liabilities/total assets**), a decrease of approximately 0.07 percentage point from the previous reporting period. In view of the Group's stable and abundant operating cash flow and sound capacity of financing and capital management, the management believes that the gearing ratio remained at a safe level at the end of the Reporting Period.

### Financial strategy and financing arrangement

During the Reporting Period, the Company actively expanded its financing channels, adjusted its debt structure and controlled financing costs. Through adopting a proactive financing strategy, the Company was able to meet the funding needs of its operation and management and project investment and controlled the financing costs effectively. The Group's borrowing requirements are not subject to seasonality. During the Reporting Period, an additional fund of RMB5.2 billion was obtained through direct financing. As of 31 December 2018, the Group's borrowing amounted to RMB9,268,854,000, of which RMB2,945,304,000 were fixed-rate loans. As at the end of the Reporting Period, the balance of interest-bearing liabilities amounted to approximately RMB15.851 billion, representing an increase of approximately RMB1.553 billion from the beginning of the year. The higher financing costs on the market was driven by the increase in the loans for road and bridge projects under construction, including Wufengshan Toll Bridge, and the increasingly tight liquidity on the capital market from the second half of last year. During the Reporting Period, the rate of consolidated borrowing costs for interest-bearing liabilities of the Group was approximately 4.59%, representing an increase of approximately 0.18 percentage point year-on-year, about 0.18 percentage point lower than the bank lending rate for the same period. During the Reporting Period, the Company's major financing activities included:

Type of financing instrument	Date of issuance	Term	Financing amount RMB'000	Interest rate of issuance %	Prevailing bank benchmark interest rate %	Changes in financing costs %
Super short-term commercial paper	10 April 2018	185 days	500,000	4.37	4.35	0.02
Super short-term commercial paper	5 June 2018	101 days	1,000,000	4.35	4.35	-
Super short-term commercial paper	6 July 2018	126 days	600,000	3.80	4.35	-0.55
Super short-term commercial paper	6 July 2018	98 days	400,000	3.76	4.35	-0.59
Super short-term commercial paper	20 July 2018	119 days	500,000	3.79	4.35	-0.56
Super short-term commercial paper	26 October 2018	175 days	600,000	3.50	4.35	-0.85
Super short-term commercial paper	31 October 2018	163 days	600,000	3.40	4.35	-0.95
Super short-term commercial paper	7 November 2018	180 days	600,000	3.38	4.35	-0.97
Super short-term commercial paper	14 November 2018	177 days	400,000	3.30	4.35	-1.05

### Credit policy

In order to minimize credit risk, the Group has controlled credit limits, undertaken credit approvals and implemented other control procedures to ensure that necessary follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recovery of its debts on each balance sheet date to ensure that adequate provisions are made for bad debts. In view of the above, the management of the Group considers that the Group's credit risk is relatively low.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### Contingencies

As a common practice in the real estate industry, Ninghu Properties and Hanwei Company, subsidiaries of the Company, provide several guarantees in connection with mortgage loans granted to buyers of commodity housing properties. The guarantee obligation shall begin from the effective date of a guarantee contract and cease when the registration of mortgage in respect of a purchased properties is completed and the Building Right Encumbrances Certificate is submitted to banks for enforcement. As at 31 December 2018, the outstanding guarantees amounted to approximately RMB1,035,648,168 (31 December 2017: RMB893,281,511).

### Foreign exchange risks

The Group operates its businesses principally in the PRC. There is no material foreign exchange risks 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 2018, the balance of the loan was equivalent to approximately RMB17,004,000, against which no foreign exchange hedging arrangements were made by the Group. Fluctuation in exchange rates will have no material impact on the Group's results.

### Reserves

Unit: Yuan Currency: RMB

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Total equity interests attributable to shareholders of the Company
As at 1 January 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 amount of 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
As at 1 January 2018	5,037,747,500	10,428,388,235	380,908,923	3,273,492,299	4,399,747,006	23,520,283,963
Profit for the year	-	-	-	-	4,376,603,925	4,376,603,925
Reduction of owners' capital	-	-	-	-	-	-
Total comprehensive income	-	-	456,918,744	-	-	456,918,744
Profit distributed	-	-	-	137,701,986	(137,701,986)	-
Dividends distributed	-	-	-	-	(2,216,608,900)	(2,216,608,900)
As at 31 December 2018	5,037,747,500	10,428,388,235	837,827,667	3,411,194,285	6,422,040,045	26,137,197,732

Note: The ownership of capital items above belongs to the companies 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 2018, reserves distributable to the shareholders were RMB6,422,040,045 (as at 31 December 2017, reserves distributable to the shareholders were RMB4,399,747,006).

# DISCUSSION AND ANALYSIS OF THE OPERATIONS



## (IV) Analysis of investment

### 1. Overall analysis of external investment

Applicable  N/A

During the Reporting Period, the total amount of external equity investment of the Group was approximately RMB496,774,000, representing an increase of approximately 12.58% as compared to 2017. The specific items mainly included equity investment of about RMB288,274,000 in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership), acquisition of 30% minority interest of Hanwei company of approximately RMB184,500,000, contribution of capital of RMB24,000,000 for the establishment of Culture Media Company and investment in the establishment of a commercial factoring company.

#### (1) Material equity investments

Applicable  N/A

##### Acquisition of equity of joint venture

At the 22nd meeting of the eighth session of the board of directors on 19 March 2018, the Company resolved to acquire 30% equity of Hanwei Company, a joint venture, for approximately RMB184,500,000. After the acquisition, Hanwei Company became the Company's wholly-owned subsidiary. For details of the acquisition, please refer to the relevant announcement published by the Company on the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 20 March 2018. On 12 April 2018, Hanwei Company completed relevant procedures for changing business registration and other relevant formalities. The Company's acquisition date of Hanwei Company was 12 April 2018. A professional agency was engaged by the Company to assess its shareholding in Hanwei Company as stated in the combined financial statements prior to the acquisition date based on the net assets of Hanwei Company using asset-based approach, as required under the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment (Revised in 2014), Accounting Standards for Business Enterprises No. 33 – Combined Financial Statements (Revised in 2014) and other relevant requirements that provide for the right to exercise control over an investee not under common control. According to the assessment results, the Company re-measured the equity held by the Company in Hanwei Company before the acquisition date at its fair value on the acquisition date, and value appreciation gain of approximately RMB430,500,000 from assessment was recognized based on the difference between the fair value and its book value.

##### Participating in establishment of Media Company

On 4 June 2018, as approved at the 25th meeting of the eighth session of the board of directors of the Company, the Company, Communications Holding, Jinghu Company, Orient Operation Company and Orient Road & Bridge Company jointly invested RMB200 million to establish Jiangsu Communications & Culture Media Company Limited. The Company proposed to contribute RMB60 million, representing 30% of the total share capital. On 24 August 2018, the board of directors approved Media Company's introduction of Xinhua Media as a strategic shareholder. Xinhua Media made a capital contribution of RMB68 million in cash to increase the capital of Media Company. All of the original shareholders of Media Company have agreed to waive the pre-emption right in relation to the capital contribution. After the capital contribution, the registered capital of Media Company increased from RMB200 million to RMB268 million, and the shareholding of the Company decreased to 22.39%. The establishment of Media Company is beneficial to the centralized management of transportation media resources in Jiangsu Province, and will help to further explore and enhance the value of advertising resources on expressways, so as to improve the Company's social image. As of the date of the Report, the Company has invested RMB24,000,000. For details of the investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 20 March 2018 and on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 27 August 2018, respectively.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



### Establishment of a commercial factoring company

On 12 December 2018, the fifth meeting of the Ninth Session of the board of directors of the Company considered and approved the establishment of a commercial factoring company by Ninghu Investment, a subsidiary of the Company, by way of investing RMB90,000,000. The factoring company has been officially established on 25 December 2018 and the business license has been obtained. For the details of such investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 13 December 2018 and on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 23 December 2018, respectively.

### Subscription for units of private equity fund

Upon approval by the board of directors of the Company, Ninghu Investment has subscribed for a total of RMB1.2 billion units in CDB Kai Yuan Phase II Fund. As at the end of the Reporting Period, Ninghu Investment has made an aggregate capital contribution of RMB796,333,000.

Ninghu Investment subscribed for Luode Fund Company for a total of RMB150 million. As of the end of the Reporting Period, all capital contribution relating to the project has been completed.

#### (2) *Material non-equity investments*

Applicable  N/A

### Entering into the asset management scheme of Fuanda Fund

In order to fully leverage the efficiency and benefits of the Company's funds, the Company, upon approval at the fourth meeting of the board of directors of the ninth session of the Company on 26 October 2018, entered into the Contract for Asset Management in relation to Fuanda – Fuxiang No. 15 Equity-Based Asset Management Scheme with Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司) and Shanghai Branch of Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司上海分行), whereby the Company, as the settlor, shall make a contribution of no more than RMB1 billion, whereas the term of such asset management scheme shall be no more than 4 years. As of the date of this Report, the Company has filed with the China Securities Investment Fund Association (中國證券投資基金業協會) and allocated entrusted assets of RMB1 billion. For details of such investment project, please refer to the relevant announcements published by the Company on 27 October 2018 and 2 November 2018 on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), respectively..

### Accelerating the progress of new road and bridge projects

During the Reporting Period, the Company's total material non-equity investment of RMB3,433,025,000 mainly focused on the active facilitation of new road and bridge construction projects. Of the funds applied, RMB2,068,927,000, RMB572,418,000, RMB337,898,000 and RMB453,782,000 were invested in the construction of the Wufengshan Toll Bridge project, Changyi Expressway, Yichang Expressway and Zhendian Expressway, respectively.





## DISCUSSION AND ANALYSIS OF THE OPERATIONS

(3) Financial assets measured at fair value

Applicable  N/A

Unit: Yuan Currency: RMB

Item	Initial investment cost	Source of funds	Purchased/Sold	Investment income	Change in fair value
Fund investments	9,999,400	Internal funds	–	–	-7,373,558
Wealth management products	651,238,808	Internal funds	–	7,100,410	–
Gold investments	15,710,238	Internal funds	–	-418,057	589,800
Other non-current financial assets (CDB Kai Yuan Phase II)	796,332,315	Internal funds	–	–	136,996,155
Other non-current financial assets (Luode Dening)	150,000,000	Internal funds	–	–	28,086,952
Other equity instruments (Bank of Jiangsu)	1,000,000,000	Internal funds	–	36,000,000	-244,000,000
Other equity instruments (Jiangsu Leasing)	270,898,457	Internal funds	–	28,080,000	831,241,543
Fuanda Asset Management Scheme	860,000,000	Internal funds	–	–	-60,846,320

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Fund purchased in 2011, in which approximately 10,000,000 units were available in total with a net value of approximately RMB22,455,000 at the beginning of the Reporting Period. Investment cost amounted to approximately RMB9,999,000. Its fair value decreased by approximately RMB7,374,000 and its cumulative fair value increased by approximately RMB5,081,000 during the Reporting Period. During the Reporting Period, Ninghu Investment continued to engage in gold bullion investment commencing in 2014 at an investment cost of approximately RMB15,710,000 with a net value being approximately RMB16,417,000 at the beginning of the Reporting Period. At the end of the Reporting Period, its net value was approximately RMB17,007,000. Its fair value increased by approximately RMB590,000 while its cumulative fair value increased by approximately RMB1,297,000 during the Reporting Period. During the Reporting Period, Ninghu Investment continued to hold Luode Parent Fund subscribed for in 2016 at an investment cost of RMB150,000,000 with a net value of approximately RMB150,000,000 at the beginning of the Reporting Period. At the end of the Reporting Period, its net value amounted to approximately RMB178,087,000. Its fair value increased by approximately RMB28,087,000 and its cumulative fair value increased by approximately RMB28,087,000 during the Reporting Period. During the Reporting Period, Ninghu Investment continued to hold CDB Kai Yuan Phase II Fund subscribed for in 2016 at an investment cost of approximately RMB796,332,000 with its net value of approximately RMB508,059,000 at the beginning of the Reporting Period. At the end of the Reporting Period, its net value was approximately RMB933,328,000. Its fair value increased by approximately RMB136,996,000 while its cumulative fair value increased by approximately RMB136,996,000 during the Reporting Period.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### (4) Other investments

#### Listing of Jiangsu Leasing

In January 2018, Jiangsu Leasing, invested by Guangjing Xicheng Company which was a subsidiary of the Company with 85% ownership, obtained approval for its application for initial public offering in January 2018 and went public on the A-share market on 1 March 2018. Guangjing Xicheng Company, being the fourth largest shareholder of Jiangsu Leasing, holds 234 million shares in Jiangsu Leasing, accounting for approximately 7.83% of the total issued share capital of Jiangsu Leasing. Such shares are non-transferable within 36 months from the date of listing of the shares of Jiangsu Leasing. The fair value of such shares was recognized upon valuation conducted by a third party valuer at the end of each natural year. The Company currently recognizes other comprehensive income through their fair value, and in this regard net assets of the Group has been increased accordingly. For details of such investment project, please refer to the relevant announcements published by the Company on 20 January 2018 on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)), respectively.

### (V) Analysis of major subsidiaries and investee companies

Applicable  N/A

Unit: Yuan Currency: RMB

Name of company	Principal businesses	Investment cost	Equity interest attributable to the Company (%)	Total assets	Net assets	Net profit	Percentage of the Company's net profit (%)	Year-on-year increase/decrease in net profit (%)
Ningchang Zhenli Company	Expressway construction, management, maintenance and toll collection	5,029,236,885	100	6,427,418,716	6,313,042,806	414,950,742	9.27	5.06
Guangjing Xicheng Company	Expressway construction, management, maintenance and toll collection	2,125,000,000	85	10,967,044,284	6,258,137,098	656,669,976	14.67	3.62
Zhendan Company	Expressway construction, management, maintenance and toll collection	423,910,000	70	1,736,755,559	586,142,204	(20,336,077)	-	145,157.7
Wufengshan Toll Bridge Company	Expressway construction, management, maintenance and toll collection	1,886,616,830	64.5	6,611,547,034	2,925,715,442	1,634,185	0.04	-
Ninghu Investment	Investments in various types of infrastructure, industries and assets	800,100,000	100	1,229,716,715	1,174,115,695	138,350,707	3.09	316.29
Ninghu Properties	Real estate development, operation and consultancy	500,000,000	100	3,053,456,897	932,084,985	152,698,685	3.41	40.37
Hanwei Company	Real estate development and operation	184,499,800	100	1,426,838,447	42,638,018	(37,614,885)	-	-

\* During the Reporting Period, Ningchang Zhenli Company enjoyed a continuous increase in its toll revenue with a net profit of approximately RMB414,951,000, a year-on-year increase of approximately 5.06%.

\* During the Reporting Period, Guangjing Xicheng Company recorded a continuous increase in its toll revenue as well as an increase in its investment income due to year-on-year increases in the dividend from investee company Jiangsu Leasing and the profit of investee company Yanjiang Company. A net profit of approximately RMB656,670,000 was made during the Reporting Period, representing a year-on-year increase of approximately 3.62%.

\* During the Reporting Period, Ninghu Investment recorded an increase in net book profit by approximately 316.29% year-on-year due to an increase in the profit of Luode Fund Company, its associated company, and an increase in fair value of its other non-current financial assets during the Reporting Period.

\* Please refer to the section headed "Business of property development and sales" in this report for the operational performance and changes in the results of Ninghu Properties.

\* For the equity investment of Hanwei Company and its operations, please refer to the sections of "Material Equity Investments" and "Business of property development and sales" in this report.

# DISCUSSION AND ANALYSIS OF THE OPERATIONS



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

### (I) Industry landscape and development trends

Applicable  N/A

In respect of macro-economic development, the combination of a more complicated and challenging global economic environment, Sino-US trade friction and accelerating changes in regional economic and energy structures has affected the transformation and upgrading of the transportation industry. On the other hand, downward pressure on the domestic economy persisted, adding difficulties to financial risks prevention and resolution. The driving force of domestic demand has gradually waned; there is an urgent need to enhance the capability of independent innovation. Changes in the industrial structure have brought new challenges to the network layout of the transportation industry, and economic fluctuation will objectively cause changes in the demand for transportation capacity accordingly, which will in turn have an impact on the construction and operation of toll roads.

In respect of the development of industry policies, during the 13th Five-Year Plan period, the development goal for the transportation industry is to build a comprehensive modern transportation system featuring safety, convenience, efficiency and environment-friendliness. To achieve the goal, all market players set their sights on high-quality development, focus on supply-side structural reform, implement the principle of “consolidate, enhance, upgrade, and smooth” and expand the scale of high-level opening up. This calls for improvement in traffic quality, optimized management and control of traffic operation and further centralized and optimal utilization of resources. The consultation paper on the Regulation on the Administration of Toll Roads (Revised Draft) provides opportunities for expressway companies to gradually establish a long-term, stable, healthy and sustainable development model for toll roads. For its business to go global and open up at a higher level and on a wider scale, the Company has to further broadening its investment vision based on a higher platform.

In respect of the development of traffic demand, with the upgrading of residents’ consumption pattern, expressway transportation will gradually face keener competition from other transportation means. Along with continuous improvement in the high-speed railway network, integrated development of the Yangtze River Delta has been elevated to the status of national strategy. The regional economic belt is expected to see a more vibrant development and there will an expanding number of transport options available to commuters, which may have certain impact on the expressway industry. Meanwhile, the need for high-quality travel is growing. Accordingly, improving citizens’ traffic efficiency and travel experience by leveraging more higher- quality services and more innovative models will be the way forward for transportation companies.

In respect of business development, construction and operation costs of toll highways in the province have also increased with rising land premium and labour costs. Given the current trend of generally declining rate of return on core investments, broadening investment vision and using effective financing means to identify high quality assets among the new additions to the core investment portfolio is crucial to the future development of the Group. Meanwhile, in view of consumers’ wide-ranging needs for the service industry, the Group needs to explore further opportunities to diversify its service offerings relating incidental to expressways during its development, to enhance its profitability and facilitate its brand building.

### (II) Development strategies of the Company

Applicable  N/A

In 2018, the Group adhered to the principle of compliant operation by focusing on economic benefits and smooth traffic flow, as well as took the lead in the areas of smooth traffic operation, maintenance management, operating results, transformation development and customer service, which enabled the Group’s development to turn a new page. In 2019, the Company will continue to conduct its business in a pragmatic, enterprising and steady manner, and strive to maintain its leading position with every effort to show shareholders excellent performance and reward the community with quality service. The overall work direction in 2019 is that we need to make four breakthroughs: first, to make a breakthrough in the development of the principal businesses by endeavouring to expand the principal businesses and enhance the overall efficiency; second, to achieve a breakthrough in key technologies of smooth traffic operation in order to solve core problems and improve traffic efficiency; third, to get a breakthrough in financial investment through striving for developing new businesses and creating new impetus; fourth, to enable the breakthrough in business management with a view to enhancing professionalism in investment promotion and supervision at service areas and developing the capability of management output. In 2019, the Group aims to further reduce cost through technology innovation, to improve efficiency by management innovation, to enlarge space for development via model innovation, and to realize sustainable development with talent support.

# DISCUSSION AND ANALYSIS OF THE OPERATIONS

## (III) Operational Plan

Applicable       N/A

1. In order to ensure the achievement of profit targets throughout the year and to be well-planned and well-prepared for strategic development in future, the Group has formulated the following key measures for 2019 based on the overall business trend in the same year:

(1) *To further explore our principal businesses by adhering to the principle of capturing opportunities.*

First, having put high-standard traffic development ahead and speeded up the creation of a modern integrated transport system, the Company continues to focus on the investment in transport infrastructure, and strive to identify high-return projects with a broader vision and a more positive attitude so as to further enhance the edges of the principal businesses. Second, the Company will actively promote the construction of the three major newly commenced projects by enhancing liaison and coordination with contractors to make early preparations for such projects and in various aspects such as management structure, techniques and staffing with a view to planning ahead for the smooth opening of such projects and achieving stable operation in future. Third, the Company will exert its full efforts to achieve the ultimate victory by reforming the business models of service areas to ensure the successful completion and operation of Yangcheng Lake service area, China's first "garden style" themed service area, and Douzhuang service area. In addition, to ensure the long-term stable operation of the service areas in a standard manner and ongoing economies of scale, the Company will establish an investment promotion system, optimize the supervision system and strengthen the performance assessment on the tenants. Further, the Company will keep monitoring the changes in the market price of refined oil and strive to expand sales and improve efficiency in the premise of securing high gross margin derived from oil products at present.



(2) *To strive for well-performed ancillary businesses by adhering to the principle of seeking progress while maintaining stable performance.*

First, the Company will take the financial industry as the entry point to accelerate promotion of the business of the commercial factoring company, integrate the construction and management resources of superior transportation infrastructure, expand the service area and offerings of commercial factoring. Second, the Company will monitor the securities market situation and make careful analysis and demonstration in order to seek to invest in high-quality financial equities which have satisfactory returns, are under reliable supervision and are exposed to controllable risks, and gradually complete the allocation of portfolio financial assets to facilitate the Group's improvement and upgrading of the industrial structure. Third, the Company will participate in the establishment of real estate parent fund of Luode Fund Company, a real estate fund company under the Company in due course and improve the similar financial business of Ninghu Investment, a subsidiary of the Company, by taking the form of real estate finance. Fourth, the Company will continue to speed up the reduction of real estate inventory during conversion period in response to the continuously tight real estate policy in force for ensuring the relatively stable sales profits of real estate projects.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



(3) *To prevent risks by taking compliant operation as the principle.*

First, the Company will strictly follow the regulatory requirements, optimize its “three-meeting” operational procedures, strengthen the argumentation, control and evaluation mechanism for major decision-making matters, and strictly control investment risks. Further, the Company will further enhance its risk management system by establishing a risk early-warning mechanism and strengthening major risks control with a view to reducing the occurrence of risks, so as to enhance the Company’s ability to hedge against risks. Second, the Company will continue to conduct audit work comprehensively. In particular, the Company will further strengthen the project audit and supervision, standardize project management through “prior check, in-process control, and post-review”, and conduct targeted special audit on internal management to improve internal management. Third, the Company will further identify and eliminate the integrity risks of each position, and evaluate and classify the identified integrity risks, thus enabling an effective system to be established for preventing and controlling integrity risks, in which prevention and control of integrity risks are required to be taken place in the whole process of project production and management and integrated into all aspects of power operation.

(4) *To lower costs and increase efficiency through scientific management.*

First, to strengthen control over road management costs. To solve the problem of long-term aging and large traffic flow of roads, the Company will conduct research on maintenance strategy and planning with a view to improving road quality while reducing maintenance costs. The Company will vigorously develop scientific and technological innovation to continuously improve the technologies in monitoring, communication and tolling systems, and continue to reduce road operation and maintenance costs by using technological means such as tolling automation, cloud-based distribution and network-based communication. Second, to strengthen control on finance costs. The Company will improve the construction of its financing system, pay great attention to the changes in capital and funds market to broaden diversified financing channels, take a holistic approach to direct financing and indirect financing, and improve the efficiency of capital utilization, so as to effectively control capital cost. Third, the Company will rationally allocate human resources to improve the productivity of all staff. In this regard, the Company will strengthen management training, professional and technical training and skills training to improve the quality of all staff and enhance work efficiency. Further, the Company will take the opportunity of transformation and development and replacement of manual labor with machines to further strengthen the staff job-transfer training for the opening of new projects requiring to reserve competent talents.



(5) *To increase brand recognition by adhering to the principle of enjoying fast flow and a slow life.*

Focusing on the goal of “striving for a national leading position in smooth traffic flow”, the Company will continue to innovate a hindrance clearance model and improve traffic capability of roads. In particular, the Company will enhance traffic efficiency through technological innovation, further deploy ETC lanes, promote mobile payment and explore “frictionless payment”, and improve “cloud-based” command and dispatch system so as to strengthen traffic control and enable drivers and passengers to enjoy fast flow along Shanghai-Nanjing Road. In addition, the Company will reinforce management of service areas, and endeavour to provide citizens with more options, more beautiful environment and better service to enable them to enjoy a slow life when staying at service areas. For this purpose, the Company will be committed to enhancing the management brand of Shanghai-Nanjing Expressway by upholding the philosophy of “enjoying fast flow but a slow life”, thus winning a good social reputation and market reputation and laying a more solid foundation for the Company’s long-term development.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

2. 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 2019 will be approximately RMB5,642 million, representing an increase of RMB681 million compared with the actual expenditure of RMB4,961 million in 2018. Capital expenditure for the year of 2019 mainly includes:

Capital expenditure item	Amount (RMB'00 million)
Investment in the construction of Zhendan Expressway	0.19
Investment in the construction of Wufengshan Toll Bridge	15
Investment in the construction of Changyi Expressway Phase I	10.5
Investment in the construction of Yichang Expressway	9
Equity investment in Suzhou Industrial Park CDB Kai Yuan	
Investment Center Phase II (Limited Partnership)	2.28
Equity investment in other projects	12
Asset Management Scheme of Fuanda Fund	1.40
Investment by Ninghu Investment for the establishment of a commercial factoring company	0.90
Other capital expenditure of the Group	5.15

On the basis of fully leveraging its own capital, the Group timely adjusted its financing strategy based on the financing condition 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 arrangements for its future development strategies. For the year of 2018, the Group signed credit facilities contracts with banks but has not yet utilized the facilities. The value of the credit facilities with a term of over one year were approximately RMB23,083 million. The value of the ultra-short-term financing products which have been registered with the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) with a term of more than one year but have not been issued were approximately RMB1,800 million. The credit line will be sufficient for supporting capital expenditure, debt roll-over and business development of the Group. If other capital expenditure is required under special cases, the Group will adjust its financing plan based on the size of expenditure and the actual cash flow condition.

### (IV) Possible risks

Applicable  N/A

With a view to optimizing the corporate governance system, strengthening risk management, and enhancing the Company's capability to deal with risks, the Company determined the basic principles for risk assessment, established the standards of risk assessment, and identified material risks of the Group after taking into account the in combination with the industry risks, thus establishing the risk management system. According to the macro environment and the Company's current business situation, the Company will pay keen attention to the following main risks and proactively take effective counter-measures:

#### 1. Risks associated with industry policy

**Risk analysis:** The Company is primarily engaged in the investment, construction, operation and management of toll roads and bridges, and toll fees are the major source of revenue for expressway companies. The level of revenue from toll fees is subject to the direct and indirect influence of changes in the national macro-control policy and taxation policy. In particular, the Regulation on the Administration of Toll Roads has yet to come into operation and there are still uncertainties over relevant policies. The Company is therefore exposed to operational risks arising from implication of the policies in respect of toll rates and toll collection periods.

**Counter-measures:** The Company will establish a dynamic tracking and assessment mechanism in response to policy-related risks. It will follow closely with relevant governmental policies, enhance the contact and communication with competent government authorities, especially transportation, financial, taxation and pricing departments, and keep abreast with the latest developments in policies involving the related to expressway industry to make timely business decisions accordingly 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 associated with arising from relatively simple industrial structure.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



### 2. Risks associated with project investment

**Risk analysis:** In the course of the Company's business, projects under construction and investment in new projects are subject to the influence of macro economy and other related factors and thus there is a risk that future returns will may fall short of expectations. In addition, investment in financial and similar financial products may involve risks of losses and return due to market fluctuations and systematic risks.

**Counter-measures:** Since there are many uncertainties in the current economic environment, when selecting investment projects, the Company shall conduct a full assessment of the internal and external factors affecting the performance of projects, strengthen internal management, standardize management systems, and establish scientific investment decision-making procedures. Additionally, the Company will set up or engage a professional evaluation team to fully understand the benefits and risks of investment projects.

### 3. Risks associated with lower-than-expected rate of destocking

**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. The economic operating environment, changes in fiscal and monetary policies and the policies for taming the property market may affect the sales cycle and sales performance of the Company's real estate business, leading to an extension of the real estate sales cycle and affecting the progress of destocking.

**Counter-measures:** A tracking mechanism has been set up for the Company to stay up-to-date with policies concerning the industry and the development trend of the macro-economy and the industry, build its capability to gain insights into the policy and market trend and step up efforts to accelerate the destocking rate. Meanwhile, the Company will reinforce specialized management of projects and strive for delicacy management in various stages from market and projects selection, planning and design to operation and execution.

### 4. Safety risks associated with road management

**Risk analysis:** The increasing traffic volume makes it more and more challenging to maintain road safety and manage road condition. In the operation and management of expressways, any failure to perform the responsibility of safety risk prevention may result in serious road safety accidents and incur liabilities relating to the safety management in service areas, which could in turn adversely affect the realization of the Company's business objectives, and even have a negative impact on the Company's brand image.

**Counter-measures:** the Company will strengthen training on safe operation, enhance employees' awareness of operation safety and optimize the accountability and assessment system to ensure that oversight responsibility is in place and duly performed by a particular person. The Company will strengthen supervision over operation safety, and ensure that the maintenance of production safety equipment is conducted on a regular basis and overhaul is carried out according to a standardized procedure to improve its capacity to ensure production safety with a view to eliminating all potential operation safety risks. The Company will strengthen multi-party coordination and cooperation and properly manage the layout of on-site operating areas in order to minimize the impact on traffic and ensure that all potential risks are eliminated.

## IV. The Company's Environmental Policy and Performance, Legal Compliance and Relationship with Persons with Significant Influence on the Company

For the details of the Company's environmental policy and performance, legal compliance and relationship with persons with significant influence on the Company, please refer to Section V – Proactive Performance of Social Responsibility of this report.

## V. Donations

For the information on donations and poverty alleviation effort by the Company during the Reporting Period, please refer to Section V – Proactive Performance of Social Responsibility of this report.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



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

For the list of directors of the Company during the Reporting Period, please refer to Section VII – Changes in Shareholdings of Directors, Supervisors and Senior Management in Office or Resigned during the Reporting Period and Their Remuneration Changes in Shareholdings of Current and Past directors, Supervisors and Members of Senior Management During the Reporting Period and Their Remuneration 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 RMB4,376,603,925,000 and earnings per share were approximately RMB0.8688. The board of directors of the Company proposed to distribute cash dividends of RMB0.46 per share (tax inclusive) in favour of all shareholders based on the total share capital of the Company of 5,037,747,500 shares.

### VIII. Details of and Reasons for the Company's Non-disclosure Due to Inapplicability or Other Special Reasons such as Involvement of State or Trade Secrets

Applicable       N/A





# SIGNIFICANT MATTERS



## I. Profit Distribution Plan for Ordinary Shares or Plan for Capitalisation of Capital Reserves

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

Applicable  N/A

During the Reporting Period, the Company strictly complied with the cash dividend distribution policy as stipulated in the Articles of Association in the interest of minority investors protection. Independent directors also gave their independent opinions on the profit distribution plan. The profit distribution plan of the Company for the year of 2017, as considered and approved at the 2017 annual general meeting of the Company held on 21 June 2018, was as follows: it was proposed to distribute cash dividends of RMB0.44 (tax inclusive) per share, totaling RMB2,216,608,900 (tax inclusive), based on the total share capital of 5,037,747,500 shares as at the end of 2017. The profit distribution was completed in July 2018.

### (II) Dividend Distribution Plan or Proposal for Ordinary Shares and Plan or Proposal for Capitalisation of the Company's Capital Reserves in the Last Three Years (including the Reporting Period)

Unit: Yuan Currency: 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>
2018	–	4.6	–	2,317,363,850	4,376,603,925	52.95
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

# SIGNIFICANT MATTERS



## II. Performance of Undertakings

(I) Undertakings of the de facto controller, Shareholders, related/connected parties, acquirers, the Company, and other parties involved during the Reporting Period or subsisting to the Reporting Period

Applicable       N/A

Background of undertaking	Type of undertaking	Undertaking party	Description of undertaking	Date and term of undertaking	Any time frame for performance (yes/no)	Timely and strict performance (yes/no)	Reasons for failure of performance (if undertakings cannot be performed in a timely manner)	Next step (if undertakings cannot be performed in a timely manner)
Other undertakings	Others	Communications Holding	To properly settle the economic compensation regarding the Panjiahuayuan toll station, the Liuhe District People's Government promised to pay the Company RMB49,930,000 in accordance with the spirit of Su Zhengfu [2017] Document No. 99 and relevant notes of discussion. As of the end of the Reporting Period, the company received the compensation payment.	None	No	Yes	Not applicable	Not applicable

## III. Appropriation of Fund and Progress of Fund Recovery during the Reporting Period

Applicable       N/A



## SIGNIFICANT MATTERS



### 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

Applicable  N/A

##### New Standards for Revenue

Since 1 January 2018, the Group has implemented the “Accounting Standards for Business Enterprises No. 14 – Revenue” revised by the Ministry of Finance (“MoF”) in 2017 (hereinafter referred to as the “New Standards for Revenue”, and the Standards for Revenue before the revision referred to as the “Original Standards for Revenue”). The New Standards for Revenue introduces a five-step approach to revenue recognition and measurement and provides more guidance to specific transactions (or events). The New Standards for Revenue requires the accumulative effects on the initial implementation of the standards to adjust the retained earnings and amount of other related items in the financial statements at the beginning of the year upon initial implementation (i.e. 1 January 2018), but the data during the comparable period will not be adjusted. The Group only adjusts the cumulative impact of the contracts that were not yet completed on the first date of implementation upon implementation of the New Standards for Revenue.

- (1) In addition to disclosure of a wider range of income transactions, the impact of the implementation of the New Standards for Revenue on the items set out in the balance sheet at the beginning of the period is as follows:

Unit: Yuan Currency: RMB

Item	31 December 2017	Reclassification	1 January 2018
Receipts in advance	840,007,370	(821,596,656)	18,410,714
Contract liabilities	–	821,596,656	821,596,656

- (2) Compared with the Original Standards for Revenue, the impact of the implementation of the New Standards for Revenue on the balance sheet and the income statement for the current period is as follows:

Unit: Yuan Currency: RMB

Changes in accounting policy and reasons thereof	Affected financial statement items	Affected amount increase/(decrease)
Due to the implementation of the New Standards for Revenue, the Group took into account the significant financing components in the contracts when determining the transaction price and adjusted the cumulative impact of the contracts that were not yet completed.	Financial expenses	26,836,440
	Contract liabilities	26,836,440
	Income tax expenses	(6,709,110)
	Deferred tax assets	6,709,110
Due to the implementation of the New Standards for Revenue, the Group reclassified the proceeds received in advance from property sales and the advertising service fee received in advance to the contract liabilities.	Receipts in advance	(962,200,983)
	Contract liabilities	962,200,983

# SIGNIFICANT MATTERS



## New Standards for Financial Instruments

Since 1 January 2018, the Group has implemented the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 – Hedge Accounting, and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the “New Standards for Financial Instruments”) revised by MoF in 2017.

For classification and measurement of financial assets, the New Standards for Financial Instruments require that an entity shall classify financial assets under three categories, namely “financial assets measured at amortized cost”, “financial assets measured at fair value through other comprehensive income” and “financial assets measured at fair value through profit or loss”, on the basis of the contractual cash flow characteristics of the financial assets and the entity’s business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and available-for-sale financial assets are no longer adopted. For investments in equity instruments, the entity shall generally classify them as financial assets measured at fair value through profit or loss, and for investments in non-trading equity instruments, the entity is allowed to designate them as financial assets measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be charged forward to profit or loss at disposal.

For impairment, the New Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, lease receivables and financial guarantee contracts. The New Standards for Financial Instrument require the adoption of the expected credit loss model to recognize credit loss allowance to replace the original credit-impaired model. The new impairment model requires the adoption of a three-phase model, under which credit loss allowance is made based on expected credit losses within 12 months or during the whole lifetime according to whether the credit risks of relevant items have been significantly increased since initial recognition. For all the accounts receivable generated from transactions regulated by the revenue standard, as well as the lease receivables generated from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Leases, the Group measured provision for loss in an amount which was equivalent to the expected credit losses during the whole lifetime.

For the recognition and measurement of financial instruments not in accordance with the requirements as to the New Standards for Financial Instruments before 1 January 2018, the Group makes adjustments retrospectively in accordance with the New Standards for Financial Instruments. The Group has made no adjustments to the previous comparative data prepared not in accordance with the requirements of the New Standards for Financial Instruments. The difference between the original book value of the financial instruments and the new book value at the date of implementation of the New Standards for Financial Instruments was recognized as the retained earnings or other comprehensive income as at 1 January 2018. The impacts of the Group’s implementation of the New Standards for Financial Instruments on 1 January 2018 are as follows:

Unit: Yuan Currency: RMB

Item	Effect of implementation of New Standards for Financial Instruments			
	Book value stated under original standards 31 December 2017	Transferred from available-for-sale financial assets as originally classified (Note 1)	Transferred from other current assets as originally classified (Note 2)	Book value stated under new standards 1 January 2018
Other current assets	557,742,656	–	(491,380,000)	66,362,656
Held-for-trading financial assets	38,871,811	–	491,380,000	530,251,811
Available-for-sale financial assets	2,329,877,191	(2,329,877,191)	–	–
Investments in other equity instruments	–	1,671,818,457	–	1,671,818,457
Other non-current financial assets	–	658,058,734	–	658,058,734

## SIGNIFICANT MATTERS



*Note 1:* Transfer from available-for-sale financial assets as originally classified

Transfer from available-for-sale financial assets to other equity investment items

As of 1 January 2018, available-for-sale financial assets of RMB1,671,818,457 were reclassified to other equity investment items and such investment belongs to non-trading equity instrument investment, and the Group does not expect to dispose of such investment in the foreseeable future.

Transfer from available-for-sale financial assets to other non-current financial assets items

As of 1 January 2018, available-for-sale financial assets of RMB658,058,734 were reclassified to other non-current financial assets items. Such available for sale financial assets are equity instrument investments whose quotes from active markets are unavailable and whose fair values cannot be reliably measured, and were measured at cost under the Original Standards for Financial Instruments in previous periods. As of 1 January 2018, there was no significant difference between such equity investment measured at fair value and at original cost.

*Note 2:* Transfer from other current assets as originally classified

As of 1 January 2018, wealth management products were reclassified to financial assets measured at fair value through profit and loss.

*Note 3:* As at 1 January 2018, for items classified as financial assets measured at amortized costs, the Group considered that there was no significant difference between credit loss provisions recognized in accordance with the Original Standards for Financial Instruments and credit loss provisions recognized in accordance with the New Standards for Financial Instruments.

As at 1 January 2018, the impacts of the Group's initial implementation of the New Standards for Revenue and the New Standards for Financial Instruments on the Group's assets, liabilities and owners' equity are summarized as follows:

Unit: Yuan Currency: RMB

Item	31 December 2017	Impacts of New Standards for Financial Instruments		1 January 2018
		Impacts of New Standards for Revenue	Impacts of New Standards for Financial Instruments	
Other current assets	557,742,656	–	(491,380,000)	66,362,656
Held-for-trading financial assets	38,871,811	–	491,380,000	530,251,811
Available-for-sale financial assets	2,329,877,191	–	(2,329,877,191)	–
Investments in other equity instruments	–	–	1,671,818,457	1,671,818,457
Other non-current financial assets	–	–	658,058,734	658,058,734
Receipts in advance	840,007,370	(821,596,656)	–	18,410,714
Contract liabilities	–	821,596,656	–	821,596,656

Format of financial statements for general enterprises

The Company followed the "Circular on the Revision and Publication of the Format of the Financial Statements of General Enterprises for 2018 (Cai Hui [2018] No. 15) (the "Cai Hui No. 15 Document") promulgated by the MoF on 15 June 2018 in the preparation of financial statements for 2018. Cai Hui No.15 Document revised the items presented in the balance sheet and the income statement. In particular, it added new line items including "notes receivable and accounts receivable", "notes payable and accounts payable" and "research and development expenses"; revised the contents presented under the line items including "other receivables", "fixed assets", "construction in progress", "other payables" and "long-term payables" and "administrative expenses"; deleted the line items including "notes receivable", "accounts receivable", "dividend receivable", "interest receivable", "disposal of fixed assets", "construction materials", "notes payable", "accounts payable", "interest payable", "dividend payable" and "special payables"; added the presentation of the line items of "including: interest expenses" and "interest income" under the "financial expenses", and; adjusted the presentation position of some items in the income statement. The Group has retrospectively applied the above changes in presentation by retrospectively adjusting the comparative figures of the previous year.

# SIGNIFICANT MATTERS



Set out below is the balance sheet as at 1 January 2018 presented in the format of financial statements for general enterprises on the Group's adoption of New Standards for Financial Instruments and Revenue:

Unit: Yuan Currency: RMB

Item	1 January 2018
<b>ASSETS</b>	<b>42,532,491,238</b>
<b>Current Assets:</b>	<b>4,602,482,928</b>
Cash and bank balances	269,357,751
Held-for-trading financial assets	530,251,811
Notes receivable and accounts receivable	309,247,630
Prepayments	10,200,712
Other receivables	106,256,683
Inventories	3,010,805,685
Non-current assets due within one year	300,000,000
Other current assets	66,362,656
<b>Non-current Assets:</b>	<b>37,930,008,310</b>
Investments in other equity instruments	1,671,818,457
Other non-current financial assets	658,058,734
Long-term equity investment	5,123,326,114
Investment properties	20,019,608
Fixed assets	1,740,197,103
Construction in progress	8,294,639,339
Intangible assets	19,962,642,227
Long-term prepaid expenses	1,069,666
Deferred tax assets	258,020,384
Other non-current assets	200,216,678
<b>LIABILITIES</b>	<b>16,637,560,626</b>
<b>Current Liabilities:</b>	<b>8,723,608,612</b>
Short-term borrowings	3,599,000,000
Notes payable and accounts payable	921,349,151
Receipts in advance	18,410,714
Contract liabilities	821,596,656
Employee benefits payable	3,636,736
Taxes payable	275,210,217
Other payables	217,363,761
Non-current liabilities due within one year	623,841,375
Other current liabilities	2,243,200,002
<b>Non-current Liabilities:</b>	<b>7,913,952,014</b>
Long-term borrowings	3,874,089,201
Bonds payable	3,970,157,835
Deferred income	33,638,147
Provisions	8,010,000
Deferred tax liabilities	28,056,831
<b>Shareholders' Equity</b>	<b>25,894,930,612</b>
Share capital	5,037,747,500
Capital reserve	10,428,388,235
Other comprehensive income	380,908,923
Surplus reserve	3,273,492,299
Retained profits	4,399,747,006
Minority interests	2,374,646,649

## SIGNIFICANT MATTERS



(II) Analysis by the Company on the reasons for and impacts of the correction of significant accounting errors

Applicable  N/A

(III) Other analysis

Applicable  N/A



Unit: Yuan Currency: RMB

### V. Appointment and Removal of Auditor

Name of the domestic accounting firm	Current Engagement Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for the domestic accounting firm	2,400,000
Term of audit services of the domestic accounting firm	15

	Name	Remuneration
Auditor for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	800,000
Financial advisor Sponsor		

#### Information on appointment and removal of auditor

Applicable  N/A

The reappointment of Deloitte as the domestic auditor of the Company for the year of 2018 was approved at the Company's 2017 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 on the Mainland, was engaged to audit the financial statements of the Company for the financial year ended 31 December 2018 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 the external auditor and approval of the conditions for appointment and its remuneration.

Deloitte was also appointed as the internal control auditor of the Company for the year of 2018 at the general meeting. The audit fee was RMB800,000.

Deloitte has been providing audit services to the Company for 15 consecutive years since 2003. For the years of 2008, 2010, 2014, 2015 and 2017, such firm changed the partner responsible for the audit services provided to the Company.

# SIGNIFICANT MATTERS



## VI. Material Litigation and Arbitration

The Company was involved in material litigation and arbitration during the year.  The Company was not involved in any material litigation and arbitration during the year.

## VII. Major Related/Connected Party Transactions

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

(1). Events that have been disclosed in provisional announcements and have no further progress or changes subsequently

Applicable  N/A

Summary of event	Where to find out more
<p>During the Reporting Period, the Company continued to perform the property leasing agreement entered into between the Company and Xiandai R&amp;B Company in respect of the office premises located at No. 2 Xianlin Avenue, Nanjing, Jiangsu on 25 August 2017. The term of the agreement is from 1 September 2017 to 31 December 2019 and the annual rental fee is RMB1,690,000.</p>	<p>For details, please refer to the announcement on the 15th meeting of the seventh session of the board of directors published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 25 August 2014 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 22 August 2014, respectively. For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 28 August 2017 and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 25 August 2017, 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 for a lease term from 1 April 2016 to 31 March 2019, under which the petrol stations on both sides of the service area of Ningchang Zhenli Company were leased to Expressway Petroleum Company for operation. The estimated rental fee for the three years is 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 transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> respectively on 28 March 2016.</p>
<p>On 27 March 2017, Guangjing Xicheng Company and Ningchang Zhenli Company each entered into a Monitoring, Communications and Electromechanical Systems Maintenance Contract with Information Company for the period between 1 January 2017 and 31 March 2018. During the period from 1 January 2018 to 31 March 2018, the estimated total value of Information Company's service contract with Guangjing Xicheng Company and Ningchang Zhenli Company was no more than RMB3,200,000 and RMB800,000, respectively.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transaction 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>On 23 March 2018, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company each entered into a contract with Information Company on maintenance of monitoring and communication systems and procurement of spare parts. The term of contracts was from 1 April 2018 to 31 March 2019, and the contract values in 2018 were no more than RMB10,000,000, RMB3,000,000 and RMB1,500,000 respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 26 March 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 23 March 2018, respectively.</p>





## SIGNIFICANT MATTERS



Summary of event	Where to find out more
<p>On 27 March 2017, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company each entered into the Expressway Network Management Services Framework Agreement with Network Operation Company for a term of three years. The values of the service contracts in 2018 were no more than RMB39,000,000, RMB11,000,000 and RMB9,000,000 respectively. The Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the Expressway Network Technical Services Framework Agreement with Tongxingbao Company for a term of three years. The values of the service contracts in 2018 were no more than RMB10,000,000, RMB3,300,000 and RMB3,000,000 respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction 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, respectively.</p>
<p>On 27 March 2017, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the ETC Customer Service Outlets Management Agreement with Tongxingbao Company for a term from 1 January 2017 to 31 March 2018. The values of the service contracts from 1 January 2018 to 31 March 2018 were no more than RMB1,120,000, RMB240,000 and RMB40,000 respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction 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>On 23 March 2018, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the ETC Customer Service Outlets Management Agreement with Tongxingbao Company for a term from 1 April 2018 to 31 March 2019. The values of the service contracts in 2018 were no more than RMB610,000, RMB150,000 and RMB50,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 26 March 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 23 March 2018, respectively.</p>
<p>On 23 March 2018, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the Expressway Maintenance Services Contract with Xiandai R&amp;B Company for a service term of 1 year. The total values of the project contracts in 2018 made by the Company, Guangjing Xicheng Company and Ningchang Zhenli Company were no more than RMB108,000,000, RMB50,000,000 and RMB35,000,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 26 March 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 23 March 2018, respectively.</p>
<p>On 26 October 2018, the Company entered into a supplemental Contract for expressways maintenance services with Xiandai R&amp;B Company, and revised the amount cap for the maintenance construction contract from RMB108,000,000 to RMB144,000,000.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction 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 October 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 26 October 2018, respectively.</p>
<p>On 23 March 2018, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively paid annual fees for expressway maintenance technology research and services to Maintenance Technology Company. Fees paid for the current year did not exceed RMB7,900,000, RMB2,600,000 and RMB2,600,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 26 March 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 23 March 2018, respectively.</p>

# SIGNIFICANT MATTERS



## Summary of event

On 23 March 2018, the Company and Railway Group entered into the property leasing agreement in respect of the office premises located at No. 189 Maqun Avenue, Nanjing City, Jiangsu Province, with a term of lease commencing from 1 April 2018 to 31 December 2020. The annual rent for the year of 2018 was RMB2,709,300, excluding management fees, maintenance fees, utilities and other expenses to be paid by lessee for the use of the premises.

On 23 March 2018, Guangjing Xicheng Company entered into the Yanqiao and Yixing Service Area Petrol Stations Leasing and Operation Agreement and the Guangling Service Area Petrol Stations Leasing and Operation Agreement with Expressway Petroleum Company and Taixing Oil Products Company respectively. The agreements shall be valid from 1 April 2018 to 31 December 2020. The aggregate value of the agreements for the years of 2018 was no more than RMB7,500,000.

On 23 March 2018, Ningchang Zhenli Company and Huatong Company entered into the 2018 bridge emergency reinforcement and maintenance agreement. The target amount of the agreement did not exceed RMB1,510,000.

On 27 April 2018, the Company entered into the property lease contract with Modern Testing Company in relation to the property of the Company situated at 3-4/F, Office Building B in the Courtyard at No. 8 Xianlin Avenue, Nanjing, Jiangsu Province, for a term from 1 June 2018 to 21 December 2020 and the rent cap for the year of 2018 was no more than RMB900,000.

## Where to find out more

For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) on 26 March 2018 and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on 23 March 2018, respectively.

For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) on 26 March 2018 and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on 23 March 2018, respectively.

For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) on 26 March 2018 and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on 23 March 2018, respectively.

For details, please refer to the announcement on the board resolution published by the Company on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) on 28 April 2018.



## SIGNIFICANT MATTERS



Summary of event	Where to find out more
<p>On 24 August 2018, Zhendan Company, a subsidiary of the Company, and Network Operation Company entered into the Expressway Network Management Services Framework Agreement with a validity period from 1 October 2018 to 31 December 2019. The contract value for 2018 was no more than RMB200,000.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transaction 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 August 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 24 August 2018, respectively.</p>
<p>On 24 August 2018, Zhendan Company, a subsidiary of the Company, and Tongxingbao Company entered into the Expressway Network Technical Services Framework Agreement with a validity period from 1 October 2018 to 31 December 2019. The contract value for the period between 1 October 2018 to 31 December 2018 was no more than RMB100,000.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction 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 August 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 24 August 2018, respectively.</p>
<p>On 26 October 2018, Ninghu Investment, Guangjing Xicheng Company and Ningchang Zhenli Company, which are the subsidiaries of the Company, entered into a Cooperation Agreement with Media Company on the Operation of the Existing Advertising Facilities and the Development and Operation of New Advertising Resources Along the Roads and Bridges for a valid term commencing from 1 January 2019 to 31 December 2021. The annual contracted amount between Ninghu Investment Company and Media Company for 2019, 2020 and 2021 would not exceed RMB40,000,000, RMB50,000,000 and RMB60,000,000, respectively; the annual contracted amount between Guangjing Xicheng Company and Media Company for 2019, 2020 and 2021 would not exceed RMB10,000,000, RMB12,000,000 and RMB14,000,000, respectively; the annual contracted amount between Ningchang Zhenli Company and Media Company for 2019, 2020 and 2021 would not exceed RMB4,000,000, RMB5,000,000 and RMB6,000,000, respectively.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transaction 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 October 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 26 October 2018, respectively.</p>

*Note:* In respect of the above related/connected parties, Network Operation Company was directly and indirectly owned as to more than 30% by Communications Holding (excluding the equity interest held through the Company and Guangjing Xicheng Company); Expressway Petroleum Company was directly and indirectly owned as to more than 30% by Communications Holding; Xiandai R&B Company was directly and indirectly owned as to more than 40% by Communications Holding; Group Finance Company was directly owned as to 80% by Communications Holding; Information Company, Orient Operation Company and Orient Road & Bridge Company were indirectly wholly-owned subsidiaries of Communications Holding; and Tongxingbao Company was directly and indirectly owned as to more than 30% by Communications Holding; Communications Holding was the controlling shareholder or de facto controller of Railway Investment Company, Maintenance Technology Company, Huatong Company and Taixing Oil Products Company; Jinghu Company was owned as to 30% or more by Communications Holding; the Company was owned as to more than 11.69% by China Merchants Expressway Network.

# SIGNIFICANT MATTERS



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

1. Events that have been disclosed in provisional announcements and have no further progress or changes subsequently

Applicable       N/A

Summary of event	Where to find out more
<p>On 4 June 2018, the Company, Communications Holding, Jinghu Company, Orient Operation Company and Orient Road &amp; Bridge Company contracted to make a joint capital contribution of RMB200,000,000 for the establishment of Media Company. The Company made a capital contribution of RMB60,000,000, representing 30% of the shareholding.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 5 June 2018, 21 June 2018 and 27 August 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 21 June 2018 and 24 August 2018, respectively.</p>
<p>On 24 August 2018, Media Company accepted Xinhua Media as a strategic shareholder. Xinhua Media will make a capital contribution to Media Company of RMB68,000,000 in cash. The Company agrees to waive the pre-emption right over such capital contribution. The registered capital of Media Company will be increased from RMB200,000,000 to RMB268,000,000 after the capital contribution. After the capital contribution, the Company made a capital contribution of RMB60,000,000, representing 22.4% of the shareholding.</p>	
<p>On 12 December 2018, the Company waived the right of first refusal in relation to the equity interests of Guangjing Xicheng Company, a subsidiary of the Company. China Merchants Expressway Network transferred the 15% equity interests in Guangjing Xicheng Company to Communications Holding based on the appraised value of RMB804,867,300.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transaction published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 13 December 2018 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 12 December 2018, respectively.</p>



## SIGNIFICANT MATTERS



### (III) Related/connected party transactions involving creditors' rights and debts

1. Events that have been disclosed in provisional announcements and have no further progress or changes subsequently

Applicable  N/A

Summary of event	Where to find out more
<p>On 30 March 2016, the Company entered into the Financial Services Agreement with Group Finance Company with a term of three years commencing from 1 April 2016. The maximum daily deposit balance shall not exceed RMB500,000,000, and the aggregate maximum amount of daily deposit shall 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 the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 31 March 2016 and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 30 March 2016, respectively.</p>
<p>On 27 March 2017, the Company entered into a loan agreement with Guangjing Xicheng Company with the balance not exceeding RMB2,000,000,000, which shall be valid for three years on 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 the websites of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 27 March 2017 and on 5 May 2017, respectively.</p>

2. Events not disclosed in provisional announcements

Applicable  N/A

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	804,160,963	1,571,277,401
Group Finance Company	Controlled subsidiary of the parent company				781,010,167	170,252,541	951,262,708
Far East Shipping Company	Controlled subsidiary of the parent company				160,212,667	-100,132,917	60,079,750
Sutong Bridge Company	Controlled subsidiary of the parent company				400,531,667	-400,531,667	-
Total		-	-	-	2,108,870,939	473,748,920	2,582,619,859
Reasons for related/connected creditor's rights and debts		The related/connected creditor's rights and debts were formed due to the borrowing and lending of funds among the related/connected parties. The above funds shall be provided at a rate not exceeding the prevailing bank loan interest rate in the same period. The Company and its subsidiaries were not required to provide any guarantee and pledge.					
Effect of related/connected creditor's rights and debts on the Company		The related/connected creditor's rights and debts did not have any material impacts on the Company's operation result and financial position.					

# SIGNIFICANT MATTERS



## (IV) Others

Applicable       N/A

1. Confirmation given by independent non-executive directors of the Company in respect of 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; 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. Confirmation given by the auditor in respect of continuing connected transactions

The Company has notified Deloitte of the information relating to the continuing related party/connected transactions to be disclosed in the 2018 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) followed in all material respects the Group's pricing policy, where provision of goods or services by the Group were involved;
- (3) were conducted in all material aspects in accordance with the terms of relevant agreements for such transactions; and
- (4) have not exceeded the caps as disclosed in the previous announcements.

3. The related party/connected transactions set out in the Notes to Financial Statements of the Company for 2018

The related party/connected transactions set out in Notes 11 and 15 to the Financial Statements of the Company for 2018 are in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules:



# SIGNIFICANT MATTERS

1) Note XI:

- (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: Yuan Currency: RMB

Related party	Type of related party transactions	Amount recognized in the current year	Amount recognized in the prior year	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
Xiandai R&B Company	Road maintenance fee	214,924,280	64,255,347	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018, 27 October 2018, 25 August 2017 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rules)
Network Operation Company	Maintenance and operating administration fees for toll collection system	28,880,222	26,358,227	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 24 August 2018 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rule)
Tongxingbao Company	Maintenance and operating administration fees for toll collection system	12,905,173	10,535,302	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018, 13 April 2017 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rule)
Maintenance Technology Company	Road maintenance fee	11,470,000	6,039,163	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 23 March 2018 on the Stock Exchange in accordance with the Listing Rules)
Information Company	Communication system maintenance fee	13,645,676	6,777,298	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rule)
Huatong Company	Engineering reinforcement and maintenance fee	1,291,708	-	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76)
Kuaiji Co., Ltd.	Lease fee of transportation service	3,049,000	3,282,308	No (an associate of the Company)	Not Applicable
Nanlin Hotel	Food and beverage	8,556	88,087	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.97)
Communications Holding	Interest expenses of loans from a related party	45,660,962	41,500,000	Yes, continuing connected transaction (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Group Finance Company	Interest expenses of working capital loan	31,781,583	40,000,433	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Far East Shipping Company	Interest expenses of entrusted loan	7,397,415	7,600,417	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	Interest expenses of entrusted loan	9,343,562	8,120,000	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76)
Runyang Bridge Company	Interest expenses of entrusted loan	-	1,363,060	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76)

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 all related party transactions, the price is settled by signed contracts.

# SIGNIFICANT MATTERS



## Sales, rendering of services and interest income of borrowings/loans with related parties

Unit: Yuan Currency: RMB

Related party	Type of related party transactions	Amount recognized in the current year	Amount recognized in the prior year	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
Group Finance Company	Interest income from deposits	3,824,866	2,452,339	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Kuaiu Co., Ltd.	Toll road income	1,689,176	2,182,478	No (an associate of the Company)	Not Applicable
Tongxingbao Company	ETC customer-service network management income	824,685	2,745,396	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018, 13 April 2017 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rules)
Hanwei Company (Note)	Interest income from shareholder loan	2,598,900	34,537,500	No (a joint venture of the Company)	Not Applicable
Kuaiu Co., Ltd.	Petrol income	-	554,006	No (an associate of the Company)	Not Applicable

Note: During the reporting period, the Company's interest income of shareholders' loans to Hanwei Company is the interest income of entrusted loans before the business combination not involving enterprises under common control.

### (2) Leases with related parties

#### The Group as the lessor:

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year	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
Ningcheng Zhenli Company	Jiangsu Petroleum Company	Fixed assets	6,187,238	7,972,762	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 28 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Guangling Xicheng Company	Jiangsu Petroleum Company	Fixed assets	6,757,762	7,072,952	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 28 March 2016 on the Stock Exchange in accordance with the Listing Rules)
The Company	Railway Group	Fixed assets	2,709,300	-	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76(1)(a))
The Company	Xiandai R&B Company	Fixed assets	1,690,000	1,689,967	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 25 August 2017 on the Stock Exchange in accordance with the Listing Rules)
The Company	Network Operation Company	Fixed assets	-	3,555,094	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76(1)(a))
The Company	Engineering Testing Company	Fixed assets	309,670	-	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76(1)(a))



# SIGNIFICANT MATTERS



(3) Guarantees with related parties

**The Group as the guaranteed party:**

Unit: Yuan Currency: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether performance of guarantee has been completed	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	17,004,335	15 October 1998	18 July 2027	Not completed	Yes, continuing connected transaction (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Communications Holding	30,000,000	28 June 2018	21 June 2026	Not completed	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

Unit: Yuan Currency: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	31 December 2018	Remarks	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>Borrowed from (repaid to)</b>							
Far East Shipping Company	120,000,000	28 August 2018	27 August 2019	60,000,000	Entrusted loan with annual interest rate of 4.35%	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Far East Shipping Company	(60,000,000)	28 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 4.35%		
Far East Shipping Company	(160,000,000)	14 August 2017	14 August 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	(220,000,000)	26 June 2017	27 June 2018	-	Borrowings from a related party with annual interest rate of 4.35%	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Group Finance Company	(60,000,000)	10 July 2017	19 July 2018	-	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	(200,000,000)	25 December 2017	31 December 2018	-	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	220,000,000	27 June 2018	14 June 2019	190,000,000	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	(30,000,000)	27 June 2018	14 June 2019	-	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	100,000,000	27 December 2018	16 December 2019	100,000,000	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	60,000,000	09 November 2018	08 November 2019	60,000,000	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	100,000,000	28 November 2018	27 November 2019	100,000,000	Borrowings from a related party with annual interest rate of 4.35%		
Group Finance Company	(100,000,000)	30 March 2017	29 February 2018	-	Entrusted loan with annual interest rate of 3.92%		
Group Finance Company	(200,000,000)	11 May 2017	10 May 2018	-	Entrusted loan with annual interest rate of 4.13%		
Group Finance Company	100,000,000	29 March 2018	28 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	(100,000,000)	29 March 2018	28 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	200,000,000	29 May 2018	28 May 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	100,000,000	28 September 2018	27 September 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	(200,000,000)	11 September 2018	29 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	200,000,000	11 September 2018	29 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company	200,000,000	15 November 2018	15 February 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%		

# SIGNIFICANT MATTERS



Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	31 December 2018	Remarks	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>Borrowed from (repaid to)</b>							
Jinghu Company	300,000,000	31 May 2018	30 November 2019	-	Entrusted loan with annual interest rate of 4.35%	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	(400,000,000)	17 July 2017	16 July 2018	-	Entrusted loan with annual interest rate of 4.35%	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Communications Holding*	250,000,000	05 December 2012	05 December 2022	250,000,000	Entrusted loan with annual interest rate of 3.92%	Yes, continuing connected transaction (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Communications Holding*	250,000,000	17 May 2013	17 May 2023	250,000,000	Entrusted loan with annual interest rate of 4.13%		
Communications Holding*	250,000,000	20 May 2014	20 May 2019	250,000,000	Entrusted loan with annual interest rate of 4.35%		
Communications Holding*	800,000,000	20 November 2018	24 October 2023	800,000,000	Entrusted loan with annual interest rate of 4.35%		
Hanwei Company	(300,000,000)	26 March 2015	26 March 2018	-	Related party loan with annual interest rate of 8.00%	No (a joint venture of the Company)	Not Applicable
Hanwei Company	(69,000,000)	18 July 2016	18 July 2019	-	Related party loan with annual interest rate of 8.00%		
Hanwei Company (Note 2)	480,000,000	20 March 2018	20 March 2021	-	Related party loan with annual interest rate of 4.75%	No (a wholly-owned subsidiary of the Company)	Not Applicable

Note 1: 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.

Note 2: On 20 March 2018, the Company entrusted a loan of RMB480,000,000 to the Hanwei Company, with an interest rate of 4.35% and a term of 3 years. After the merger of enterprises not under the same control in the current period, the borrowings of Hanwei Company were offset at the merger level at the end of the period.

(5) Compensation for key management personnel

Unit: Yuan Currency: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	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*	3,609,167	3,433,977	Yes, continuing connected transaction (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.95)



# SIGNIFICANT MATTERS

2) Note XV:

- (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 borrowings/loans with related parties

Unit: Yuan Currency: RMB

Related party	Type of related party transactions	Amount recognized in the current year	Amount recognized in the prior year	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
Xiandai R&B Company*	Road maintenance fee	143,892,053	21,261,261	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018, 27 October 2018, 25 August 2017 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rules)
Ningchang Zhenli Company	Interest expenses of entrusted loan	49,975,140	19,846,110	No (a wholly-owned subsidiary of the Company)	Not Applicable
Network Operation Company*	Maintenance and operating administration fees for toll collection system	19,241,959	17,850,896	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 27 March 2017 on the Stock Exchange in accordance with the Listing Rules)
Group Finance Company*	Interest expenses of working capital loan	11,865,833	22,844,214	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Tongxingbao Company*	Maintenance and operating administration fees for toll collection system	8,482,088	7,074,621	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018, 13 April 2017 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rules)
Far East Shipping Company*	Interest expenses of entrusted loan	7,397,415	7,600,417	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Maintenance Technology Company*	Road maintenance fee	6,931,600	3,677,315	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 23 March 2018 on the Stock Exchange in accordance with the Listing Rules)
Nanlin Hotel*	Food and beverage	8,556	88,087	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.97)
Information Company*	Communication system maintenance fee	7,202,712	1,979,820	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 23 March 2018 on the Stock Exchange in accordance with the Listing Rules)
Ninghu Investment	Interest expenses of entrusted loan	89,606	2,166,500	No (a wholly-owned subsidiary of the Company)	Not applicable
Runyang Bridge Company*	Interest expenses of entrusted loan	-	1,363,060	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76)
Yichang Company	Interest expenses of entrusted loan	3,334,316	-	Yes, continuing connected transaction (a 51% owned subsidiary by the Company's subsidiary Guangjing Xicheng Company (a 85% owned subsidiary of the Company))	Yes (exempt from the announcement requirement according to Rule 14A.90)
Changyi Company	Interest expenses of entrusted loan	143,632	-	Yes, continuing connected transaction (a 51% owned subsidiary by the Company's subsidiary Guangjing Xicheng Company (a 85% owned subsidiary of the Company))	Yes (exempt from the announcement requirement according to Rule 14A.90)

# SIGNIFICANT MATTERS



## Sales of goods, provision of service and interest income of borrowings/loans with related parties

Unit: Yuan Currency: RMB

Related party	Type of related party transactions	Amount recognized in the current year	Amount recognized in the prior year	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
Ninghu Properties	Interest income from entrusted loans	70,586,944	70,893,403	No (a wholly-owned subsidiary of the Company)	Not Applicable
Hanwei Company	Interest income from entrusted loans	28,798,220	34,537,500	No (a joint venture of the Company)	Not Applicable
Guangxing Xicheng Company*	Interest income from loans to related parties	23,786,501	25,321,047	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 in accordance with the Listing Rules and approval has been obtained from independent shareholders)
Kualu Co., Ltd. Tongxingbao Company*	Toll road income	1,281,553	1,846,078	No (an associate of the Company)	Not Applicable
	ETC Customer-service Network Management income	734,924	2,199,378	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 23 March 2018, 13 April 2017 and 27 March 2017 on the Stock Exchange in accordance with the Listing Rules)
Group Finance Company*	Interest income from deposits	64,532	24,935	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Zhendan Company*	Interest income from entrusted borrowings	11,842	-	No (a 70% owned subsidiary of the Company which is not a related party subsidiary)	Not Applicable
Luode Fund Company Kualu Co., Ltd.	Petrol income	-	4,232	No (an associate of the Company)	Not Applicable
	Petrol income	-	554,006	No (an associate of the Company)	Not Applicable

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.



# SIGNIFICANT MATTERS



(2) Leases with related parties

**The Company as the lessor:**

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year	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
The Company	Network Operation Company*	Fixed assets	-	3,555,094	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))
The Company	Xiandai R&B Company*	Fixed assets	1,690,000	1,689,967	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 25 August 2017 on the Stock Exchange in accordance with the Listing Rules)
The Company	Railway Group	Fixed assets	2,709,300	-	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))
The Company	Xiandai Engineering Testing Company*	Fixed assets	309,670	-	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))

(3) Guarantees with related parties

**The Company as the guaranteed party:**

Unit: Yuan Currency: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether performance of guarantee has been completed	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*	17,004,335	15 October 1998	18 July 2027	Not completed	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 from and loans to related parties

Unit: Yuan Currency: RMB

Related party	Amount of borrowing/loan			31 December 2018	Remarks	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
	(/10 <sup>6</sup> )	Inception date	Maturity date				
<b>Borrowed from (repaid to)</b>							
Far East Shipping Company	120,000,000	26 August 2018	27 August 2019	60,000,000.00	Entrusted loan with annual interest rate of 4.35%	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Far East Shipping Company	(60,000,000)	26 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 4.35%		
Far East Shipping Company	(160,000,000)	14 August 2017	14 August 2018	-	Entrusted loan with annual interest rate of 4.35%		
Ningchang Zhenli Company	150,000,000	30 January 2018	28 January 2019	-	Entrusted loan with annual interest rate of 3.50%	No (a wholly-owned subsidiary of the Company)	Not Applicable
Ningchang Zhenli Company	(150,000,000)	30 January 2018	29 January 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	700,000,000	12 February 2018	11 February 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(700,000,000)	12 February 2018	11 February 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	500,000,000	27 February 2018	26 February 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(500,000,000)	27 February 2018	26 February 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	190,000,000	27 March 2018	26 March 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(190,000,000)	27 March 2018	26 March 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	300,000,000	18 July 2018	17 July 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(300,000,000)	18 July 2018	17 July 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	700,000,000	25 July 2018	24 July 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(700,000,000)	25 July 2018	24 July 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	340,000,000	30 July 2018	29 July 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(340,000,000)	30 July 2018	29 July 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	80,000,000	26 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(80,000,000)	26 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	90,000,000	26 September 2018	27 September 2019	90,000,000.00	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	80,000,000	26 October 2018	25 October 2019	80,000,000.00	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	70,000,000	26 November 2018	25 November 2019	70,000,000.00	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(60,000,000)	23 January 2017	22 January 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(70,000,000)	23 February 2017	22 February 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(80,000,000)	29 March 2017	27 March 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	170,000,000	26 April 2018	25 April 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(170,000,000)	26 April 2018	25 April 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(80,000,000)	27 April 2017	26 April 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	160,000,000	29 May 2018	28 May 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(160,000,000)	29 May 2018	28 May 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(70,000,000)	31 May 2017	30 May 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(70,000,000)	29 June 2017	28 June 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	150,000,000	27 June 2018	26 June 2019	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(150,000,000)	27 June 2018	26 June 2019	-	Entrusted loan with annual interest rate of 3.50%		



# SIGNIFICANT MATTERS



Related party	Amount of borrowing/loan		31 December		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	
	(Note)	Inception date	Maturity date	2018			Remarks
Ningchang Zhenli Company	(70,000,000)	27 July 2017	26 July 2018	-	Entrusted loan with annual interest rate of 3.50%	No (a wholly-owned subsidiary of the Company)	Not Applicable
Ningchang Zhenli Company	(70,000,000)	30 August 2017	29 August 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(70,000,000)	27 September 2017	28 September 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(70,000,000)	26 October 2017	25 October 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(190,000,000)	26 November 2017	27 November 2018	-	Entrusted loan with annual interest rate of 3.50%		
Ningchang Zhenli Company	(70,000,000)	26 December 2017	25 December 2018	-	Entrusted loan with annual interest rate of 3.50%		
Group Finance Company*	(100,000,000)	30 March 2017	29 March 2018	-	Entrusted loan with annual interest rate of 3.92%	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 on the Stock Exchange in accordance with the Listing Rules)
Group Finance Company*	(200,000,000)	11 May 2017	10 May 2018	-	Entrusted loan with annual interest rate of 4.13%		
Group Finance Company*	100,000,000	29 March 2018	28 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company*	(100,000,000)	29 March 2018	28 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company*	200,000,000	29 May 2018	28 May 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company*	100,000,000	28 September 2018	27 September 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company*	200,000,000	11 September 2018	29 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company*	(200,000,000)	11 September 2018	29 September 2018	-	Entrusted loan with annual interest rate of 4.35%		
Group Finance Company*	200,000,000	15 November 2018	15 February 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%		
Ninghu Investment	(18,000,000)	26 June 2017	26 June 2018	-	Entrusted loan with annual interest rate of 3.50%	No (a wholly-owned subsidiary of the Company)	Not Applicable
Ninghu Investment	(26,000,000)	1 August 2017	1 August 2018	-	Entrusted loan with annual interest rate of 3.50%		
Changji Company	70,000,000	14 December 2018	13 December 2019	70,000,000	Entrusted loan with annual interest rate of 4.35%	Yes, continuing connected transaction (a 51% owned subsidiary by the Company's subsidiary Guangjing Xicheng Company (a 85% owned subsidiary of the Company))	Yes (exempt from the announcement requirement according to Rule 14A.90)
Yichang Company	250,000,000	6 September 2018	5 September 2019	250,000,000	Entrusted loan with annual interest rate of 4.35%	Yes, continuing connected transaction (a 51% owned subsidiary by the Company's subsidiary Guangjing Xicheng Company (a 85% owned subsidiary of the Company))	Yes (exempt from the announcement requirement according to Rule 14A.90)

# SIGNIFICANT MATTERS



Related party	Amount of borrowing/loan		31 December		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
	(Note)	Inception date	Maturity date	2018		
<b>Lend to (collect from)</b>						
Guangxi Kichang Company	300,000,000	31 May 2018	30 November 2018	-	Entrusted loan with annual interest rate of 4.35%	Yes (continuing connected transaction (a subsidiary and related party subsidiary in which the Company holds 85% equity interest))
Guangxi Kichang Company	(300,000,000)	31 May 2018	30 November 2018	-	Entrusted loan with annual interest rate of 4.35%	
Zhendao Company	7,000,000	18 December 2018	18 December 2019	7,000,000	Entrusted loan with annual interest rate of 4.35%	No (a 70% owned subsidiary of the Company which is not a related party subsidiary)
Ninghu Properties	-	2 September 2016	1 September 2021	300,000,000	Entrusted loan with annual interest rate of 4.75%	No (a wholly-owned subsidiary of the Company)
Ninghu Properties	-	9 November 2016	9 September 2021	200,000,000	Entrusted loan with annual interest rate of 4.75%	
Ninghu Properties	-	9 November 2016	9 November 2021	190,000,000	Entrusted loan with annual interest rate of 4.75%	No (a wholly-owned subsidiary of the Company)
Ninghu Properties	50,000,000	30 January 2018	27 November 2018	50,000,000	Entrusted loan with annual interest rate of 4.75%	
Ninghu Properties	(50,000,000)	30 January 2018	27 November 2018	-	Entrusted loan with annual interest rate of 4.75%	No (a wholly-owned subsidiary of the Company)
Ninghu Properties	-	2 September 2016	2 September 2021	200,000,000	Entrusted loan with annual interest rate of 4.75%	
Ninghu Properties	-	20 October 2016	20 October 2021	500,000,000	Entrusted loan with annual interest rate of 4.75%	No (a joint venture of the Company)
Ninghu Properties	(50,000,000)	21 September 2015	21 September 2018	-	Entrusted loan with annual interest rate of 5.00%	
Hanwei Company	(300,000,000)	26 March 2015	26 March 2018	-	Funds occupied by a related party with an annual rate of 6%	No (a joint venture of the Company)
Hanwei Company	(89,000,000)	18 July 2016	17 July 2019	-	Entrusted loan with annual interest rate of 4.75%	
Hanwei Company	-	16 March 2017	16 March 2020	120,000,000	Loan from a related party with annual interest rate of 4.75%	No (a wholly-owned subsidiary of the Company)
Hanwei Company	480,000,000	20 March 2018	20 March 2021	480,000,000	Entrusted loan with annual interest rate of 4.75%	

*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: Yuan Currency: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	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*	3,609,167	3,433,977	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) Custody, contracting and leasing

- 1 Contracting  
 Applicable  N/A
- 2 Leasing  
 Applicable  N/A



Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Status of leased assets	Amount of lease of asset	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	Jiaying 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)	12,955,904	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 the service area increased by RMB6,263,000 year on-year.	No	Other
Company	Jiaying 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))	17,805,392	16 June 2017	15 June 2023	143,510,346	An agency was engaged by the Company to conduct open tendering with a minimum bid of RMB100.3 million. The bidder with the highest overall score won the bid. The matter has been considered and approved by the board of directors of the Company.	During the Reporting Period, the profit derived from the service area increased by RMB5,076,000 year on-year.	No	Other
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	An agency was engaged by the Company to conduct open tendering with a minimum bid of RMB 108.02 million. The bidder with the highest overall score won the bid. The matter has been considered and approved by the board of directors of the Company.	During the Reporting Period, the profit derived from the service area increased by RMB6,060,000 year on-year.	No	Other
Company	Jiaying Kaitong Investment Co., Ltd. (嘉興市凱通投資有限公司)	Yangcheng Lake Service Area (located at K1153+609, Jiangsu Section, Hurong Expressway (G42))	60,930,582	15 May 2018	14 May 2027	185,000,000	An agency was engaged by the Company to conduct open tendering with a minimum bid of RMB176.08 million. The bidder with the highest overall score won the bid. The matter has been considered and approved by the board of directors of the Company.	During the Reporting Period, the profit derived from the service area decreased by RMB2,278,000 year-on-year.	No	Other
Company	Dragon City Tourism Holding Group Co., Ltd. (龍城旅遊控股集團有限公司)	Fangmaoshan Service Area (located at K1161+560m, Jiangsu Section, Hurong Expressway (G42))	20,919,070	11 May 2018	10 May 2026	185,260,000	An agency was engaged by the Company to conduct open tendering with a minimum bid of RMB160 million. The bidder with the highest overall score won the bid. The matter has been considered and approved by the board of directors of the Company.	During the Reporting Period, the profit derived from the service area increased by RMB802,000 year-on-year.	No	Other
Company	Nanjing Baisheng Business Management Co., Ltd. (南京百盛商業管理有限公司)	Douhuang Service Area (located at K203+007m, Jiangsu Section, Hurong Expressway (G42))	17,806,972	21 September 2018	20 September 2026	160,040,000	An agency was engaged by the Company to conduct open tendering with a minimum bid of RMB160 million. The bidder with the highest overall score won the bid. The matter has been considered and approved by the board of directors of the Company.	During the Reporting Period, the profit derived from the service area increased by RMB3,138,000 year-on-year	No	Other

# SIGNIFICANT MATTERS



Details of lease

For details, please see the section "Discussion and Analysis of Operations".

## (II) Entrusting of cash assets management

### 1. Entrusted wealth management

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

Applicable  N/A

Unit: Yuan Currency: RMB

Type	Source of capital	Amount incurred	Outstanding balance	Amount overdue but yet to be recovered
Bank wealth management	Internal resources	159,858,808	651,238,808	0

#### (2) Individual entrusted wealth management

Applicable  N/A

Unit: Yuan Currency: RMB

Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Shanghai Pudong Development Bank	Amounts of non-structural wealth management business	100,000,000	27/12/2017	4/01/2018	Internal funds	1	Capital preservation	2.20%	76,712	100,000,000	Yes	Yes	0	
China Merchants Bank	Structured deposit	200,000,000	27/12/2017	3/01/2018	Internal funds	2	Capital preservation	4.22%	161,863	200,000,000	Yes	Yes	0	
Gulou Branch of Bank of Communications	Daily Interest Increment Model S	50,000,000	25/12/2017	4/01/2018	Internal funds	3	Capital preservation	2.55%	34,931	50,000,000	Yes	Yes	0	



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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone 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 Tiantiankuai RMB win win principal Protected wealth management product	54,000,000	29/12/2017	4/01/2018	Internal funds	4	Capital preservation	2.65%		23,523	54,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	70,000,000	31/01/2018	2018/2/7	Internal funds	2	Capital preservation	2.19%		29,400	70,000,000	Yes	Yes	0
Agricultural Bank of China	Ben Li Feng Tian Tian Li	50,000,000	31/01/2018	9/02/2018	Internal funds	5	Capital preservation	2.20%		27,123	50,000,000	Yes	Yes	0
Bank of Communications	Daily Interest Increment Model S	30,000,000	13/02/2018	27/02/2018	Internal funds	3	Capital preservation	2.90%		33,369.86	30,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	100,000,000	13/02/2018	15/03/2018	Internal funds	2	Capital preservation	3.06%		251,506.85	100,000,000	Yes	Yes	0
Bank of China	RMB On Schedule Open T+0	100,000,000	28/02/2018	15/03/2018	Internal funds	6	Capital preservation	3.00%		123,287.67	100,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	290,000,000	28/03/2018	11/04/2018	Internal funds	2	Capital preservation	3.20%		355,945.21	290,000,000	Yes	Yes	0
Bank of China	RMB On Schedule Open T+1	100,000,000	26/03/2018	11/04/2018	Internal funds	6	Capital preservation	3.00%		123,287.67	100,000,000	Yes	Yes	0
China Merchants Bank	entrusted corporate wealth management	80,000,000	30/03/2018	8/04/2018	Internal funds	2	Capital preservation	2.75%		52,246.58	80,000,000	Yes	Yes	0
China CITIC Bank	Class B of Tiantiankuai RMB win win principal protected wealth management product	60,000,000	30/03/2018	11/04/2018	Internal funds	4	Capital preservation	2.65%		52,273.97	60,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	40,000,000	27/04/2018	4/05/2018	Internal funds	2	Capital preservation	2.73%		20,942.47	40,000,000	Yes	Yes	0
Bank of China	structured wealth management	40,000,000	27/04/2018	9/05/2018	Internal funds	6	Capital preservation	2.30%		30,246.58	40,000,000	Yes	Yes	0

# SIGNIFICANT MATTERS



Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone 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 Tianiankuaihe RMB win win principal protected wealth management product	60,000,000	28/04/2018	9/05/2018	Internal funds	4	Capital preservation	2.70%		47,753.42	60,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	150,000,000	30/05/2018	20/06/2018	Internal funds	2	Capital preservation	2.82%		243,369.86	150,000,000	Yes	Yes	0
Everbright Bank	Structured deposit	200,000,000	31/05/2018	19/06/2018	Internal funds	7	Capital preservation	2.90%		306,111.11	200,000,000	Yes	Yes	0
Bank of Ningbo	Structured deposit	150,000,000	30/05/2018	13/06/2018	Internal funds	8	Capital preservation	3.10%		178,356.16	150,000,000	Yes	Yes	0
China CITIC Bank	Win-win steady daily interest increment model A	75,000,000	1/06/2018	14/6/2018	Internal funds	4	Non-Capital preservation	3.10%		61,575.34	75,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Liduoduo Cash Management No.2	200,000,000	13/06/2018	22/06/2018	Internal funds	1	Non-Capital preservation	4%		176,342.48	200,000,000	Yes	Yes	0
Bank of Ningbo	Smart Fixed Wealth Management No. 11	100,000,000	14/06/2018	21/06/2018	Internal funds	8	Capital preservation	3.50%		67,123.29	100,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	86,000,000	31/07/2018	7/08/2018	Internal funds	2	Capital preservation	2.68%		44,201.64	86,000,000	Yes	Yes	0
Bank of Ningbo	Term-selectable Wealth Management No.4	70,000,000	27/07/2018	3/08/2018	Internal funds	8	Capital preservation	2.68%		35,978.08	70,000,000	Yes	Yes	0
Bank of Ningbo	Term-selectable Wealth Management No.4	120,000,000	30/07/2018	14/08/2018	Internal funds	8	Capital preservation	3.10%		152,676.71	120,000,000	Yes	Yes	0
Agricultural Bank of China	Ben Li Feng Bu Bu Gao	73,000,000	31/08/2018	4/09/2018	Internal funds	9	Capital preservation	2.05%		31,363.01	73,000,000	Yes	Yes	0
China Merchants Bank	Structured deposit	150,000,000	29/08/2018	12/09/2018	Internal funds	2	Capital preservation	2.71%		155,917.81	150,000,000	Yes	Yes	0
Bank of Communications	Structured deposit	100,000,000	29/08/2018	12/09/2018	Internal funds	3	Capital preservation	2.80%		107,397.26	100,000,000	Yes	Yes	0
Bank of Ningbo	Term-selectable Wealth Management No. 4	20,000,000	31/08/2018	11/09/2018	Internal funds	8	Capital preservation	3%		180,821.92	200,000,000	Yes	Yes	0
Bank of Ningbo	Pi Li Ying No. 2	200,000,000	29/09/2018	10/10/2018	Internal funds	8	Capital preservation	2.50%		2,739.72	20,000,000	Yes	Yes	0
Agricultural Bank of China	Ben Li Feng Bu Bu Gao	80,000,000	30/09/2018	24/10/2018	Internal funds	9	Capital preservation	2.25%		118,356.16	80,000,000	Yes	Yes	0



## SIGNIFICANT MATTERS



Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
China Merchants Bank	Structured deposit	100,000,000	25/10/2018	7/11/2018	Internal funds	2	Capital preservation	2.35%		83,698.63	100,000,000	Yes	Yes	0
China CITIC Bank	Win-win steady daily interest increment model B	68,000,000	31/10/2018	7/11/2018	Internal funds	4	Capital preservation	2.40%		28,690.41	68,000,000			0
Bank of Ningbo	Term-selectable Wealth Management No. 2	129,980,000	2018/10/30	2018/11/7	Internal funds	8	Capital preservation	2.80%		88,622.51	129,980,000	Yes	Yes	0
Bank of Jiangsu	Structured deposit	170,000,000	30/10/2018	6/11/2018	Internal funds	10	Capital preservation	2.90%		95,861.11	170,000,000	Yes	Yes	0
		120,000,000	29/12/2018	14/01/2019				3.35%				Yes	Yes	0
China Merchants Bank	Structured deposit	73,000,000	28/12/2018	4/01/2019	Internal funds	2	Capital preservation	2.66%				Yes	Yes	0
Bank of Communications	Structured deposit	149,000,000	30/07/2018	27/08/2018	Internal funds	10	Capital preservation	3.80%		434,345.21	149,000,000	Yes	Yes	0
		15,000,000	29/08/2018	19/09/2018				2.80%		24,164.38	15,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Structured deposit	130,000,000	31/08/2018	16/11/2018	Internal funds	5	Capital preservation	4.15%		1,138,944.44	130,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Structured deposit	17,000,000	19/11/2018	17/12/2018	Internal funds	1	Return preservation	3.40%		44,339.73	17,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Structured deposit	114,000,000	20/11/2018	18/03/2019	Internal funds	5	Return preservation	4.15%				Yes	Yes	0
China Guangfa Bank	Xinjixin No. 16	7,000,000	1/12/2017	2/01/2018	Internal funds	11	Capital preservation	3.80%	-	23,320.55	7,000,000	Yes	Yes	0
		9,000,000	5/01/2018	5/02/2018				4.25%	-	32,486.30	9,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Li Duo Duo Cash Management No. 1	4,000,000	1/08/2018	1/02/2018	Internal funds	11	Capital preservation	2.20%	-	13,183.71	4,000,000	Yes	Yes	0

# SIGNIFICANT MATTERS



Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)	
China Guangfa Bank	Xinjixin No. 16	7,000,000	2/02/2018	5/03/2018	Internal funds	11	Capital preservation	3.95%	-	23,483.56	7,000,000	Yes	Yes	0	
		9,000,000	9/02/2018	12/03/2018					3.95%	-	30,193.15	9,000,000	Yes	Yes	0
		18,000,000	16/03/2018	16/04/2018					4.15%	-	63,443.84	18,000,000	Yes	Yes	0
		20,000,000	20/04/2018	21/05/2018					3.90%	-	66,246.58	20,000,000	Yes	Yes	0
		23,000,000	25/05/2018	25/06/2018					3.90%	-	76,183.56	23,000,000	Yes	Yes	0
		23,000,000	29/06/2018	30/07/2018					4.40%	-	85,950.68	23,000,000	Yes	Yes	0
		10,000,000	2018/8/3	2018/9/3					3.80%	-	32,273.97	10,000,000	Yes	Yes	0
		8,000,000	7/09/2018	8/10/2018					3.60%	-	24,480.27	8,000,000	Yes	Yes	0
		7,000,000	12/10/2018	12/11/2018					3.55%	-	20,808.22	7,000,000	Yes	Yes	0
		7,000,000	16/11/2018	17/12/2018					3.55%	-	21,105.48	7,000,000	Yes	Yes	0
6,000,000	17/12/2018	18/01/2019	3.90%	-	-	Yes	Yes	0							
Bank of China Industrial and Commercial	Capital preservation 63 days fixed rate RMB wealth management	1,700,000	10/11/2017	11/01/2018	Internal funds	12	Capital preservation	3.25%	-	9,536.30	1,700,000	Yes	Yes	0	
		2,000,000	24/01/2018	29/03/2018					3.25%	-	11,219.18	2,000,000	Yes	Yes	0
		700,000	23/03/2018	26/04/2018					3.20%	-	2,147.94	700,000	Yes	Yes	0
		2,000,000	3/04/2018	4/06/2018					3.25%	-	11,219.18	2,000,000	Yes	Yes	0
		2,800,000	8/08/2018	9/08/2018					3.25%	-	15,706.85	2,800,000	Yes	Yes	0
		4,000,000	14/08/2018	12/11/2018					3.30%	-	32,909.59	4,000,000	Yes	Yes	0
4,500,000	23/11/2018	-	3.10%	-	0	0	Yes	Yes	0						
Shanghai Pudong Development Bank	Wealth bus No. 1 capital preservation wealth management	23,000,000	27/12/2017	26/01/2018	Internal funds	13	Capital preservation	4.70%	-	88,849.32	23,000,000	Yes	Yes	0	
Shanghai Pudong Development Bank	Cash Management No. 1	6,500,000	20/12/2017	25/01/2018	Internal funds	14	Capital preservation	2.20%	-	24,979.41	6,500,000	Yes	Yes	0	
China CITIC Bank	Win-win interest Rate structured wealth management	10,000,000	22/12/2017	26/01/2018	Internal funds	15	Capital preservation	4.20%	-	40,273.97	10,000,000	Yes	Yes	0	
China CITIC Bank	Tiantiankuaiche RMB win-win principal-protected wealth management product	10,000,000	4/09/2017	1/02/2018	Internal funds	16	Capital preservation	2.65%	-	108,904.11	10,000,000	Yes	Yes	0	
Bank of Hangzhou	Excellent wealth management with guaranteed gain	20,100,000	5/01/2018	8/02/2018	Internal funds	17	Capital preservation	3.90%	-	73,020.82	20,100,000	Yes	Yes	0	
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	30,000,000	2018/1 - 17	3/02/2018	Internal funds	13	Capital preservation	4.10%	-	123,000.00	30,000,000	Yes	Yes	0	
		30,000,000	1/02/2018	9/03/2018					4.15%	-	127,958.33	30,000,000	Yes	Yes	0
		25,000,000	9/02/2018	16/03/2018					4.20%	-	107,916.67	25,000,000	Yes	Yes	0
China CITIC Bank	Win-win interest rate structured wealth management	20,000,000	2/02/2018	9/03/2018	Internal funds	16	Capital preservation	3.95%	-	75,753.43	20,000,000	Yes	Yes	0	
Bank of Hangzhou	Surplus wallet	20,270,000	11/02/2018	15/03/2018	Internal funds	18	Capital preservation	2.80%	-	49,758.72	20,270,000	Yes	Yes	0	
Shanghai Pudong Development Bank	Cash Management No. 1	30,000,000	1/03/2018	16/03/2018	Internal funds	14	Capital preservation	2.20%	-	27,123.30	30,000,000	Yes	Yes	0	
Bank of Hangzhou	Surplus wallet	9,320,000	29/03/2018	10/04/2018	Internal funds	18	Capital preservation	2.80%	-	8,579.52	9,320,000	Yes	Yes	0	



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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	7,100,000	30/03/2018	4/05/2018	Internal funds	13	Capital preservation	4.10%	-	27,492.78	7,100,000	Yes	Yes	0
Bank of Hangzhou	Excellent wealth management with guaranteed gain	20,000,000	11/04/2018	13/05/2018	Internal funds	17	Capital preservation	4.20%	-	76,712.33	20,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	30,000,000	8/04/2018	13/05/2018	Internal funds	13	Capital preservation	4.10%	-	123,000.00	30,000,000	Yes	Yes	0
		27,000,000	24/04/2018	24/07/2018				4.60%	-	307,050.00	27,000,000	Yes	Yes	0
		30,000,000	10/05/2018	9/08/2018				4.65%	-	344,875.00	30,000,000	Yes	Yes	0
		30,000,000	21/05/2018	19/08/2018				4.70%	-	352,291.67	30,000,000	Yes	Yes	0
		30,000,000	31/05/2018	28/08/2018				4.75%	-	352,500.00	30,000,000	Yes	Yes	0
Bank of Hangzhou	Excellent wealth management with guaranteed gain	20,400,000	25/05/2018	23/08/2018	Internal funds	17	Capital preservation	4.35%	-	218,810.96	20,400,000	Yes	Yes	0
Shanghai Pudong Development Bank	Cash Management No. 1	6,000,000	30/05/2018	7/06/2018	Internal funds	14	Capital preservation	2.20%	-	17,371.99	6,000,000	Yes	Yes	0
		7,000,000	9/05/2018	4/07/2018				2.20%	-	34,041.96	7,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	10,000,000	25/06/2018	30/07/2018	Internal funds	13	Capital preservation	4.20%	-	40,833.33	10,000,000	Yes	Yes	0
China Guangfa Bank	Xinjiaxin No. 16 Structured deposit	20,000,000	28/06/2018	26/09/2018	Internal funds	19	Capital preservation	4.85%	-	239,178.08	20,000,000	Yes	Yes	0
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	50,000,000	31/07/2018	29/12/2018	Internal funds	13	Capital preservation	4.55%	-	562,500.00	50,000,000	Yes	Yes	0
		50,000,000	20/08/2018	9/11/2018				4.50%	-	562,430.56	50,000,000	Yes	Yes	0
		32,000,000	31/08/2018	29/11/2018				4.20%	-	332,266.67	32,000,000	Yes	Yes	0
China Guangfa Bank	Xinjiaxin No. 16 Structured deposit	15,000,000	31/08/2018	3/12/2018	Internal funds	19	Capital preservation	4.35%	-	168,041.10	15,000,000	Yes	Yes	0
Bank of Hangzhou	Excellent wealth management with guaranteed gain	30,200,000	5/09/2018	5/12/2018	Internal funds	17	Capital preservation	4.20%	-	316,231.23	30,200,000	Yes	Yes	0
China Guangfa Bank	Xinjiaxin No. 16 Structured deposit	20,000,000	28/09/2018	28/12/2018	Internal funds	19	Capital preservation	4.10%	-	204,438.36	20,000,000	Yes	Yes	0

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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	10,000,000	30/09/2018	28/12/2018	Internal funds	13	Capital preservation	4.15%	-	102,597.22	10,000,000	Yes	Yes	0
		50,000,000	31/10/2018	29/01/2019						-	Yes	Yes	0	
China Guangfa Bank	Xinjixin No. 16 Structured deposit	50,000,000	23/11/2018	21/02/2019	Internal funds	19	Capital preservation	4.15%	-	-	-	Yes	Yes	0
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	33,500,000	30/11/2018	27/02/2019	Internal funds	13	Capital preservation	4.00%	-	-	-	Yes	Yes	0
China Guangfa Bank	Xinjixin No. 16 Structured deposit	20,000,000	28/12/2018	29/03/2019	Internal funds	19	Capital preservation	4.30%	-	-	-	Yes	Yes	0
Bank of Hangzhou	Excellent wealth management with guaranteed gain	15,400,000	14/12/2018	14/03/2019	Internal funds	17	Capital preservation	4.10%	-	-	-	Yes	Yes	0
		30,500,000	19/12/2018	19/03/2019						-	Yes	Yes	0	
Shanghai Pudong Development Bank	Li Duo Duo Dui Gong Structured deposit	10,000,000	29/12/2018	1/04/2019	Internal funds	13	Capital preservation	4.05%	-	-	-	Yes	Yes	0
Shanghai Pudong Development Bank	Cash Management No. 1	7,000,000	30/07/2018		Internal funds	14	Capital preservation	2.20%	-	33,331.68	-	Yes	Yes	0





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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone 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 Renminbi wealth management product	2,000,000	30/09/2017	12/01/2018	Internal funds	20	Capital preservation	2.85%	-	12,024.66	2,000,000	Yes	Yes	0
		4,000,000	30/09/2017	2/02/2018				2.85%	-	30,087.67	4,000,000	Yes	Yes	0
		10,000,000	30/01/2018	2/02/2018				2%	-	1,643.84	10,000,000	Yes	Yes	0
		1,000,000	27/10/2017	2/02/2018				2.20%	-	9,780.27	1,000,000	Yes	Yes	0
		15,000,000	21/11/28	12/01/2018				2.20%	-	50,856.16	15,000,000	Yes	Yes	0
		4,000,000	27/12/2017	7/02/2018				2.20%	-	12,667.54	4,000,000	Yes	Yes	0
		6,000,000	27/12/2017	7/02/2018				2.20%	-	18,986.30	6,000,000	Yes	Yes	0
		5,000,000	28/02/2018	15/06/2018				2.85%	-	41,773.97	5,000,000	Yes	Yes	0
		3,000,000	9/03/2018	15/06/2018				2.85%	-	22,956.16	3,000,000	Yes	Yes	0
		1,000,000	28/03/2018	15/06/2018				2.85%	-	6,090.41	1,000,000	Yes	Yes	0
		1,000,000	4/04/2018	15/06/2018				2.85%	-	5,700	1,000,000	Yes	Yes	0
		7,000,000	7/06/2018	15/06/2018				2.20%	-	3,375.34	7,000,000	Yes	Yes	0
		1,000,000	8/04/2018	17/08/2018				2.85%	-	10,228.77	1,000,000	Yes	Yes	0
		1,000,000	13/04/2018	17/08/2018				2.85%	-	9,838.36	1,000,000	Yes	Yes	0
		1,000,000	27/04/2018	17/08/2018				2.85%	-	8,745.21	1,000,000	Yes	Yes	0
		1,000,000	21/05/2018	17/08/2018				2.70%	-	4,216.44	1,000,000	Yes	Yes	0
		1,000,000	10/06/2018	17/08/2018				2.85%	-	7,886.30	1,000,000	Yes	Yes	0
		3,000,000	16/03/2018	27/08/2018				2.85%	-	38,650.88	3,000,000	Yes	Yes	0
		1,500,000	30/03/2018	27/08/2018				2.85%	-	17,568.49	1,500,000	Yes	Yes	0
		2,000,000	21/06/2018	27/08/2018				2.85%	-	10,306.85	2,000,000	Yes	Yes	0
		2,000,000	25/06/2018	27/08/2018				2.85%	-	9,682.19	2,000,000	Yes	Yes	0
		1,000,000	26/06/2018	27/08/2018				2.85%	-	4,841.10	1,000,000	Yes	Yes	0
		1,000,000	2/07/2018	27/08/2018				2.70%	-	4,219.18	1,000,000	Yes	Yes	0
		1,000,000	17/07/2018	27/08/2018				2.70%	-	3,034.26	1,000,000	Yes	Yes	0
		3,000,000	3/07/2018	3/09/2018				2.85%	-	14,523.29	3,000,000	Yes	Yes	0
		4,000,000	2/08/2018	3/09/2018				2.70%	-	9,468.49	4,000,000	Yes	Yes	0
		2,000,000	31/08/2018	3/09/2018				2%	-	328.77	2,000,000	Yes	Yes	0
		1,000,000	3/05/2018	6/09/2018				2.70%	-	9,838.35	1,000,000	Yes	Yes	0
		3,000,000	1/08/2018	6/09/2018				2.70%	-	7,989.04	3,000,000	Yes	Yes	0
		5,000,000	27/10/2017	6/09/2018				3.10%	-	140,136.99	5,000,000	Yes	Yes	0
		500,000	3/05/2018	18/09/2018				2.85%	-	5,348.63	500,000	Yes	Yes	0
		3,000,000	23/08/2018	17/09/2018				2.20%	-	4,520.55	3,000,000	Yes	Yes	0
		2,000,000	4/09/2018	17/09/2018				2.20%	-	1,567.12	2,000,000	Yes	Yes	0
1,100,000	17/09/2018	21/09/2018				2.20%	-	241.1	1,100,000	Yes	Yes	0		
900,000	17/09/2018	27/09/2018				2.20%	-	542.47	900,000	Yes	Yes	0		
5,000,000	7/11/2018					3.10%	-	-	-	-	Yes	Yes	0	
5,000,000	19/10/2018					3.10%	-	-	-	-	Yes	Yes	0	
2,000,000	25/10/2018	27/11/2018				2.70%	-	4,882.19	2,000,000	Yes	Yes	Yes	0	
2,000,000	2/11/2018	27/11/2018				2.20%	-	3,013.70	2,000,000	Yes	Yes	Yes	0	
1,000,000	26/10/2018	25/12/2018				2.85%	-	4,763.01	1,000,000	Yes	Yes	Yes	0	
1,000,000	10/12/2018	25/12/2018				2.20%	-	964.38	1,000,000	Yes	Yes	Yes	0	
1,000,000	18/12/2018	25/12/2018				2.20%	-	482.19	1,000,000	Yes	Yes	Yes	0	
1,000,000	7/11/2018	25/12/2018				2.20%	-	3,624.66	1,000,000	Yes	Yes	Yes	0	

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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Shanghai Pudong Development Bank	LiDuDuo Cash Management No. 1	1,000,000	25/07/2018	17/09/2018	Internal funds	21	Capital preservation	2.20%	-	3,194.52	1,000,000	Yes	Yes	0
		4,000,000	7/08/2018	17/09/2018				2.20%	-	9,643.79	4,000,000	Yes	Yes	0
China Merchants Bank	Notice of seven days	10,000,000	31/01/2018	7/02/2018	Internal funds		Capital preservation	1.10%	-	2,138.89	10,000,000	Yes	Yes	0
China Merchants Bank	Daily Interest Increment No. 8688 - principal guaranteed wealth management scheme	90,000	30/08/2018	17/12/2018	Internal funds	22	Capital preservation	3.95%	-	803.7	90,000	Yes	Yes	0
Bank of China	The accumulated daily and monthly plan of Bank of China	1,000,000	2017/12/14	2018/1/3	Internal funds	23	Non-principal-preservation with floating return in nature	3%	-	4,043.01	1,000,000	Yes	Yes	0
		7,000,000	2017/12/14	2018/1/12				3%	-	10,000	7,000,000	Yes	Yes	0
		6,000,000	2017/12/29	12/01/2018				3%	-	10,532.26	6,000,000	Yes	Yes	0
		4,000,000	2018/2/14	17/04/2018				3%	-	21,325.90	4,000,000	Yes	Yes	0
Bank of China	Bank of China Principal preserved Wealth Management	7,000,000	2018/7/30	2018/8/20	Internal funds	23	Principal-protected	2.40%	-	9,263.01	7,000,000	Yes	Yes	0
Bank of China	The accumulated daily and monthly plan of Bank of China	5,000,000	2018/7/31	14/08/2018	Internal funds	23	Non-principal-preservation with floating return in nature	3%	-	5,945.22	5,000,000	Yes	Yes	0
		7,000,000	2018/8/20	27/08/2018				3%	-	4,161.64	7,000,000	Yes	Yes	0
Bank of China	Bank of China Principal preserved Wealth Management	13,000,000	2018/9/28	2018/10/8	Internal funds	23	Principal-protected	2.40%	-	5,698.63	13,000,000	Yes	Yes	0
		13,000,000	2018/10/9	2018/10/16				2.40%	-	3,241.10	13,000,000	Yes	Yes	0
		10,000,000	23/10/2018	2018/10/31				2.40%	-	3,506.85	10,000,000	Yes	Yes	0
		10,000,000	31/10/2018	2018/11/7				2.40%	-	2,493.15	10,000,000	Yes	Yes	0
		10,000,000	8/11/2018	19/11/2018				2.40%	-	4,821.92	10,000,000	Yes	Yes	0
		7,000,000	15/11/2018	26/11/2018				2.40%	-	3,375.34	7,000,000	Yes	Yes	0
		12,500,000	20/11/2018	26/11/2018				2.40%	-	2,671.23	12,500,000	Yes	Yes	0
		6,000,000	19/12/2018					2.40%	-			Yes	Yes	0
		6,000,000	28/12/2018					2.40%	-			Yes	Yes	0



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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone 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	2,500,000	25/08/2017	10/01/2018	Internal funds	24	Capital preservation	2.85%	-	11,547.40	2,500,000	Yes	Yes	0	
		2,500,000	9/10/2017	10/01/2018				3.05%	-	11,547.40	2,500,000	Yes	Yes	0	
		1,000,000	10/11/2017	10/01/2018				3.05%	-	11,547.40	1,000,000	Yes	Yes	0	
		2,000,000	27/11/2017	10/01/2018				3.05%	-	11,547.40	2,000,000	Yes	Yes	0	
		1,000,000	25/12/2017	10/01/2018				3.05%	-	11,547.38	1,000,000	Yes	Yes	0	
		11,000,000	26/01/2018	6/02/2018				2.20%	-	7,458.90	11,000,000	Yes	Yes	0	
		2,000,000	25/05/2018	15/06/2018				2.70%	-	3,678	2,000,000	Yes	Yes	0	
		5,500,000	28/05/2018	15/06/2018				2.20%	-	3,678	5,500,000	Yes	Yes	0	
		1,500,000	11/06/2018	15/06/2018				2.20%	-	7,861.24	1,500,000	Yes	Yes	0	
		3,500,000	11/06/2018	13/07/2018				2.20%	-	7,861.24	3,500,000	Yes	Yes	0	
		3,000,000	11/06/2018	23/07/2018				2.20%	-	7,861.24	3,000,000	Yes	Yes	0	
		4,000,000	19/06/2018	23/07/2018				2.20%	-	3,486.31	4,000,000	Yes	Yes	0	
		1,000,000	19/06/2018	25/09/2018				2.20%	-	3,486.30	1,000,000	Yes	Yes	0	
		1,500,000	22/08/2018	25/09/2018				2.20%	-	3,616.90	1,500,000	Yes	Yes	0	
		1,000,000	29/08/2018	25/09/2018				2.20%	-	3,616.90	1,000,000	Yes	Yes	0	
		2,500,000	6/09/2018	25/09/2018				2.20%	-	3,616.90	2,500,000	Yes	Yes	0	
		6,000,000	13/09/2018	25/09/2018				2.20%	-	3,616.90	6,000,000	Yes	Yes	0	
		3,000,000	17/09/2018	25/09/2018				2.20%	-	3,616.90	3,000,000	Yes	Yes	0	
		6,000,000	21/09/2018	26/11/2018				2.20%	-	3,616.87	6,000,000	Yes	Yes	0	
		8,000,000	15/10/2018	26/11/2018				2.20%	-	14,492.05	8,000,000	Yes	Yes	0	
		2,000,000	20/10/19	26/11/2018				2.20%	-	14,492.05	2,000,000	Yes	Yes	0	
		2,000,000	25/10/2018	26/11/2018				2.20%	-	14,492.05	2,000,000	Yes	Yes	0	
		2,500,000	6/11/2018	26/11/2018				2.20%	-	14,492.05	2,500,000	Yes	Yes	0	
		5,000,000	15/11/2018	26/11/2018				2.20%	-	14,492.08	5,000,000	Yes	Yes	0	
		3,000,000	15/11/2018					3.05%	-				Yes	Yes	0
		4,000,000	19/11/2018					3.05%	-				Yes	Yes	0
		2,500,000	20/11/23					3.05%	-				Yes	Yes	0
		2,500,000	29/11/2018					3.05%	-				Yes	Yes	0
		4,000,000	4/12/2018					3.05%	-				Yes	Yes	0
		7,000,000	14/12/2018					3.05%	-				Yes	Yes	0
6,000,000	17/12/2018					3.05%	-				Yes	Yes	0		
2,000,000	20/12/2018					3.05%	-				Yes	Yes	0		
3,000,000	25/12/2018					3.05%	-				Yes	Yes	0		
2,000,000	26/12/2018					3.05%	-				Yes	Yes	0		
5,000,000	28/12/2018					3.05%	-				Yes	Yes	0		

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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)	
Bank of China	The accumulated daily and monthly plan	3,000,000	30/01/2018	9/02/2018	Internal funds	24	Capital preservation	2.20%	-	5,589.08	3,000,000	Yes	Yes	0	
		12,000,000	22/02/2018	16/03/2018					2.20%	-	9,998.18	12,000,000	Yes	Yes	0
		3,000,000	27/02/2018	16/03/2018					2.20%	-	9,998.18	3,000,000	Yes	Yes	0
		2,000,000	2/03/2018	16/03/2018					2.20%	-	9,998.17	2,000,000	Yes	Yes	0
		1,500,000	9/03/2018	16/03/2018					2.20%	-	7,057.56	1,500,000	Yes	Yes	0
		2,500,000	9/03/2018	16/04/2018					2.20%	-	7,057.56	2,500,000	Yes	Yes	0
		500,000	21/03/2018	16/04/2018					2.20%	-	3,345.17	500,000	Yes	Yes	0
		1,000,000	21/03/2018	11/05/2018					2.20%	-	3,345.17	1,000,000	Yes	Yes	0
		1,000,000	21/03/2018	16/07/2018					2.20%	-	3,345.16	1,000,000	Yes	Yes	0
		Bank of China	Bank of China Principal preserved Wealth Management	5,000,000					3/08/2018	20/08/2018	Internal funds	24	Capital preservation	2.20%	-
5,000,000	20/08/2018			28/08/2018	2.20%	-	2,809.59	5,000,000	Yes	Yes					0
4,000,000	31/10/2018			7/11/2018	2.20%	-	997.26	4,000,000	Yes	Yes					0
3,000,000	8/11/2018			19/11/2018	2.20%	-	1,446.58	3,000,000	Yes	Yes					0
2,500,000	19/11/2018			26/11/2018	2.20%	-	534.25	2,500,000	Yes	Yes					0
4,000,000	30/11/2018			10/12/2018	2.20%	-	1,753.42	4,000,000	Yes	Yes					0



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Name of trustee	Type of entrusted wealth management	Amount entrusted for 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	Whether it has gone 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 Renminbi wealth management product	8,000,000	27/12/2017	11/01/2018	Internal funds	25	Principal-preservation with floating return in nature	2.10%	-	6,750.68	8,000,000	Yes	Yes	0
		10,000,000	31/01/2018	2/02/2018				2.10%	-	1,123.29	10,000,000	Yes	Yes	0
		7,000,000	31/01/2018	5/02/2018				2.10%	-	1,965.75	7,000,000	Yes	Yes	0
		1,500,000	31/01/2018	9/02/2018				2.10%	-	832.19	1,500,000	Yes	Yes	0
		3,600,000	31/01/2018	4/04/2018				2.10%	-	18,019.72	3,600,000	Yes	Yes	0
		1,000,000	31/01/2018	13/04/2018				2.10%	-	5,621.92	1,000,000	Yes	Yes	0
		3,000,000	31/01/2018	16/04/2018				2.10%	-	17,568.49	3,000,000	Yes	Yes	0
		1,000,000	31/01/2018	20/04/2018				2.10%	-	6,168.49	1,000,000	Yes	Yes	0
		2,900,000	31/01/2018	11/05/2018				2.10%	-	23,323.15	2,900,000	Yes	Yes	0
		3,000,000	29/05/2018	13/07/2018				2.10%	-	9,623.04	3,000,000	Yes	Yes	0
		1,500,000	21/06/2018	13/07/2018				2.10%	-	2,352.30	1,500,000	Yes	Yes	0
		4,000,000	28/08/2018	14/09/2018				2.10%	-	4,098.63	4,000,000	Yes	Yes	0
		4,000,000	28/08/2018	19/09/2018				2.10%	-	5,304.11	4,000,000	Yes	Yes	0
		8,500,000	29/09/2018	9/10/2018				2.10%	-	5,239.73	8,500,000	Yes	Yes	0
		1,500,000	29/09/2018	21/11/2018				2.10%	-	1,898.63	1,500,000	Yes	Yes	0
		3,000,000	29/09/2018	21/11/2018				2.10%	-	11,761.65	3,000,000	Yes	Yes	0
		3,500,000	30/10/2018	-				3.10%	-	-	-	Yes	Yes	0
		1,500,000	31/10/2018	21/11/2018				2.10%	-	5,880.82	1,500,000	Yes	Yes	0
		10,000,000	16/11/2018	12/12/2018				2.10%	-	16,027.40	10,000,000	Yes	Yes	0
		29,000,000	16/11/2018	-				3.10%	-	-	-	Yes	Yes	0
		4,000,000	29/11/2018	-				3.10%	-	-	-	Yes	Yes	0
		12,000,000	21/12/2018	28/12/2018				2.10%	-	5,178.08	12,000,000	Yes	Yes	0
		3,000,000	21/12/2018	-				3.10%	-	-	-	Yes	Yes	0
		2,000,000	29/12/2018	-				3.10%	-	-	-	Yes	Yes	0
		1,680,000	31/12/2017	4/01/2018				2.10%	-	626.3	1,680,000	Yes	Yes	0
		400,000	29/12/2017	15/05/2018				2.10%	-	4,278.90	400,000	Yes	Yes	0
		400,000	29/12/2017	14/06/2018				2.10%	-	5,215.89	400,000	Yes	Yes	0
		400,000	29/12/2017	10/07/2018				2.10%	-	6,345.21	400,000	Yes	Yes	0
		400,000	29/12/2017	13/08/2018				2.10%	-	7,463.02	400,000	Yes	Yes	0
		400,000	29/12/2017	14/09/2018				2.10%	-	8,515.07	400,000	Yes	Yes	0
		400,000	28/09/2018	15/10/2018				2.10%	-	409.86	400,000	Yes	Yes	0
		400,000	28/09/2018	14/11/2018				2.10%	-	1,420.27	400,000	Yes	Yes	0
400,000	28/09/2018	6/12/2018				2.10%	-	2,155.07	400,000	Yes	Yes	0		
300,000	28/09/2018	-				3.10%	-	-	-	Yes	Yes	0		
500,000	28/11/2018	-				3.10%	-	-	-	Yes	Yes	0		
500,000	7/12/2018	-				3.10%	-	-	-	Yes	Yes	0		
500,000	11/12/2018	-				3.10%	-	-	-	Yes	Yes	0		
1,500,000	13/12/2018	-				3.10%	-	-	-	Yes	Yes	0		
1,000,000	19/12/2018	-				3.10%	-	-	-	Yes	Yes	0		
500,000	27/12/2018	-				3.10%	-	-	-	Yes	Yes	0		

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## Usage of funds:

- 1 The wealth management product is investing in cash, government bonds, municipal bonds, central bills, policy financial bonds, short term financing bonds, medium-term notes, subordinated bonds, corporate bonds, corporate bonds, non-public targeted bonds with a rating of AA and above (for credit bonds underwritten by Shanghai Pudong Development Bank, ratings are rated above A-(inclusive))
- 2 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
- 3 1. Fixed income portfolio: government bonds, financial bonds, central bills, credit bonds with high ratings and other fixed revenue assets; 2. money markets: inter-bank borrowings, inter-bank deposits, inter-bank lendings, bond repurchase, money funds and other money market assets; 3. others: other assets or assets portfolio that meet regulatory requirements
- 4 Money market assets, fixed income assets and other debt assets that meet regulatory requirements
- 5 Mainly investing in inter-bank and exchange market bonds, repurchase, inter-bank borrowings, money market funds, bond funds, other funds with low risks, inter-bank funding business with low risks, non-standard debt assets
- 6 Investing in government bonds, central bank bonds, bank deposits, negotiable certificate of deposit, bond repurchase, inter-bank borrowings etc.
- 7 Investing in central bills etc.
- 8 Investing in government bonds, central notes, etc.
- 9 Mainly investing in government bonds, financial bonds, central bills, repurchase, financial bonds with high ratings
- 10 Used to invest in fixed income assets
- 11 Bonds or money market products
- 12 Bonds or money market instruments
- 13 Investing in central bank bills in the inter-bank market, national financial bonds, corporate bonds, short-term financings, mid-term notes, inter-bank lendings, borrowings and deposits, bonds or repurchases of bills etc.
- 14 Investing in cash, government bonds, municipal bonds, central bills, public policy financial bonds
- 15 Structured wealth management product, the funds of wealth management are fully invested and operated through structured interest rate swap.



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- 16 Investing in cash, deposits, money funds, pledge repurchase and other currency
- 17 Investing in government bonds, central bills, financial bonds and corporate bonds such as enterprise bonds, medium term notes and short term financial bills.
- 18 Investing in central bank bills in the inter-bank market, national financial bonds
- 19 Investing in financial assets such as money market products and bonds, part of the proceeds are investing in financial derivatives linked to the exchange rate of the US dollar against the Hong Kong dollar
- 20 Investment target: government bonds, financial bonds, central bills, repurchase, higher credit bonds (including but not limited to enterprise debt, corporate debt, middle-term notes, short-term financing notes, ultra-short-term notes), exchange-traded notes, debt financing instruments under private placement, convertible bonds, money market funds, bonds-based funds, other funds with low risks, low-risk inter-bank funds business, etc.
- 21 Investing in cash, government bonds, municipal bonds, central bills, public policy financial bonds, credit bonds such as short-term financing bonds, medium-term notes, subordinated debt, enterprise bonds, corporate bonds, private placement of debt financing instruments, ABS, ABN and ABS subordinated bonds which are rated "AA" or above (rated "A-" (inclusive) or above in respect of credit bonds for which the SPD Bank is the lead underwriter), non standardized debt assets which fulfill regulatory requirements such as repurchases, inter-bank lending, income receipts of securities dealers, preference shares, inter-bank deposits, currencies funds and credit assets, placement scheme and trust scheme of securities dealers/funds/insurance companies, etc.
- 22 Investing in financial assets with higher credit rating and liquidity in China's inter-bank market
- 23 Enterprise bonds or private placement note with higher liquidity and investment grades
- 24 Bonds with higher credit rating and assets with stable gains
- 25 The asset manager invested the fund of this wealth management product primarily in domestic and foreign money market instruments with fixed risks and income, including government bonds, financial bonds, central bills, repurchase, credit bonds with higher credit rating (including but not limited to enterprise debt, corporate debt, middle term notes, short-term financing notes, ultra short-term notes), exchange-traded notes, debt financing instruments under private placement, convertible bonds, money market funds, bonds based funds, other funds with low risks, low risk inter-bank funds business, swaps and other risks can be locked in the foreign currency funds market tools, commercial banks or other qualified institutions issued by the fixed income investment instruments, the right to income, commissioned assets (including entrusted bonds investment, broker-oriented asset management plan, as well as pre-established stock entrusted loans), asset managers issued securities and compliance with regulatory requirements of the trust plan and other investment products.

*Others*

Applicable  N/A

### (III) Other major contracts

Applicable  N/A

## IX. Explanation of other significant matters

Applicable  N/A

# SIGNIFICANT MATTERS



## X. Proactive Performance of Social Responsibility

### (I) Poverty alleviation by the Company

Applicable       N/A

1. Plan for targeted poverty alleviation

Applicable       N/A

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

Applicable       N/A

During the Reporting Period, the Company donated a total of RMB1.0 million to support the "Targeted Poverty Alleviation Program in Guannan County".

Focusing on raising all villagers' income, assisting low-income families with poverty relief and enhancing village infrastructure to improve the living conditions of villagers, the Targeted Poverty Alleviation Program in Guannan County included targeted poverty alleviation works for Nanfang Village, Bailu Town and Xuwei Village, Dui Gougang Town in Guannan County. The New Plant Construction Project for Small and Medium Industry Parks in Bailu Town aimed to increase local tax income and provide certain employment opportunities; the implementation of the greenhouse grape agriculture project with high-efficiency facilities focused on supporting rural economic development; at the same time, a newly constructed Nanfang Village Comprehensive Service Center and Cultural Square were built, and the village office of Xuwei Village was renovated, including the installation of street lamps, maintenance of main village roads, repair of village kindergartens, etc., so as to effectively improve the village landscape and let villagers have an easier life.





# SIGNIFICANT MATTERS



### 3. Effectiveness of targeted poverty alleviation

Applicable       N/A

Indicator	Quantity and development
I. Overview	
Of which: 1. Capital	100
2. Material equivalent	-
3. Number of people out of poverty as registered ( <i>person</i> )	-
II. Investment by item	
1. Poverty alleviation through industry development	
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. Poverty alleviation through shift employment	-
3. Poverty alleviation through relocation from inhospitable areas	-
4. Poverty alleviation through education and training	-
5. Poverty alleviation through healthy service	-
6. Poverty alleviation through ecological protection	
Of which: 6.1 Project name	<input type="checkbox"/> Implement ecological protection and construction <input type="checkbox"/> Establish ecological protection compensation method <input type="checkbox"/> Set up ecological public welfare positions <input checked="" type="checkbox"/> Others
6.2 Investment amount	-
7. Basic assistance	-
8. Social poverty alleviation	100
9. Other projects	-
III. Awards (details and grade)	-

### (II) Social responsibility

Applicable       N/A

The company issued the 2017 Corporate Governance and Social Responsibility Report on 23 March 2018, and gave a detailed introduction and explanation on the Company's environmental indicators, resources use, environmental protection measures and performance of social responsibility. For details, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) on 23 March 2018. For details of the corporate social responsibility work of the Company in 2018, please refer to the Corporate Governance and Social Responsibility Report of the Company in 2018.

# SIGNIFICANT MATTERS



## (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 (including refueling, catering, shopping, advertising and accommodation services, etc.). In the course of 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 all other applicable laws and regulations. For the year ended 31 December 2018, 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 our business operation.

To the knowledge of the board of directors and the management, the Group has 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 2018.



# CHANGES IN ORDINARY SHARES AND SHAREHOLDERS



## I. Changes in Ordinary Shares

### (I) Table of Changes in Ordinary Shares

#### 1. Table of Changes in Ordinary Shares

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

## II. 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 shareholders of H Shares: 424 (inclusive))	20,955
Total number of ordinary shareholders as at the end of last month before the date of disclosure of the annual report (Number of shareholders of H Shares: 424 (inclusive))	23,966
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period	0
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	0

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

Unit: Share

#### Shareholdings of top ten shareholders

Name of shareholder (full name)	Change during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares with sales restrictions held	Pledged or frozen Status of shares	Number	Type of shareholder
Jiangsu Communications Holding Company Limited	0	2,742,578,825	54.44	0	Nil	-	State-owned legal person
China Merchants Expressway Network & Technology Holdings Co., Ltd.	0	589,059,077	11.69	0	Nil	-	State-owned legal person
BlackRock, Inc.	12,721,885	134,579,817	2.67	0	Unknown	-	Foreign legal person
Commonwealth Bank of Australia	-1,504,329	134,102,971	2.66	0	Unknown	-	Foreign legal person
JPMorgan Chase & Co.	46,407,431	129,309,278	2.57	0	Unknown	-	Foreign legal person
Guotai Junan Securities Company Limited	19,539,284	75,521,539	1.50	0	Unknown	-	Others
Citygroup Inc.	-	61,432,721	1.22	0	Unknown	-	Foreign legal person
Jiantou Zhongxin Asset Management Co., Ltd.	0	21,410,000	0.42	0	Unknown	-	Others
Agricultural Bank of China Co., Ltd. – Invesco Great Wall Energy and Infrastructure Balanced Securities Investment Fund	-	13,902,181	0.28	0	Unknown	-	Others
China Pacific Life Insurance Co., Ltd. – CPLI Stock Dividend Product (Shou Zi Ying) Entrusted Investment (Yangtze River Pension)(中國太平洋人壽保險股份有限公司-中國太平洋人壽股票紅利型產品(壽自營)委託投資(長江養老))	-	12,616,416	0.25	0	Unknown	-	Others

# CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

## Shareholdings of top ten shareholders without being imposed on sales restrictions

Name of shareholder	Number of shares in circulation without sales restrictions	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
BlackRock, Inc.	134,579,817	Oversea-listed foreign shares	134,579,817
Commonwealth Bank of Australia	134,102,971	Oversea-listed foreign shares	134,102,971
JPMorgan Chase & Co.	129,309,278	Oversea-listed foreign shares	129,309,278
Guotai Junan Securities Company Limited	75,521,539	Others	75,521,539
Citygroup Inc.	61,432,721	Oversea-listed foreign shares	61,432,721
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	Others	21,410,000
Agricultural Bank of China Co., Ltd. – Invesco	13,902,181	Others	13,902,181
Great Wall Energy and Infrastructure Balanced Securities Investment Fund			
China Pacific Life Insurance Co., Ltd. – CPLI	12,616,416	Others	12,616,416
Stock Dividend Product (Shou Zi Ying) Entrusted Investment (Yangtze River Pension) (中國太平洋人壽保險股份有限公司-中國太平洋人壽股票紅利型產品(壽自營)委託投資(長江養老))			

Explanation of 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 placement 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 of preference shareholders with voting rights restored and their shareholdings	Nil	

## CHANGES IN ORDINARY SHARES AND SHAREHOLDERS



### (III) Interests and short positions

As at 31 December 2018, the following shareholders (excluding the directors and chief executives of the Company) had interests or short positions in any shares or underlying shares of the Company that was required to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### 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	Other	Yes	2,742,578,825 (L)	71.88% (54.44%) (L)
China Merchants Expressway Network & Technology Holdings Co., Ltd. <sup>(1)</sup>	Other	Yes	589,059,077 (L)	15.44% (11.69%) (L)

#### Number of H Shares

Name of shareholder	Capacity	Directly interested	Number of H Shares	Percentage of H Shares (total shares)
Commonwealth Bank of Australia	Interest of controlled corporation <sup>(2)</sup>	No	134,102,971 (L)	10.97% (2.66%) (L)
BlackRock, Inc.	Interest of controlled corporation <sup>(3)</sup>	No	134,579,817 (L) 78,000 (S)	11.01% (2.67%) (L) 0.01% (0.00%) (S)
JPMorgan Chase & Co.	Interest of controlled corporation/ investment manager/ custodian – corporation/ approved lending agent <sup>(4)</sup>	No	129,309,278 (L) 1,380,073 (S) 86,744,770 (P)	10.58% (2.57%) (L) 0.11% (0.03%) (S) 7.09% (1.72%) (P)
Citygroup Inc.	Interest of controlled corporation/ approved lending agent/custodian – corporation <sup>(5)</sup>	No	61,432,721 (L) 221,457 (S) 60,343,621 (P)	5.02% (1.22%) (L) 0.01% (0.00%) (S) 4.93% (1.20%) (P)

# CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

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) Commonwealth Bank of Australia was deemed to be interested in the Company by virtue of its indirectly wholly-owned subsidiaries.
- (3) BlackRock, Inc. was deemed to be interested in the long position of a total of 134,579,817 H Shares of the Company (of which 328,000 H Shares were held through cash settled (off exchange) derivatives) and in the short position of 78,000 H Shares by virtue of its control over a number of corporations, which were indirectly wholly-owned by BlackRock, Inc., except the following:
  - (a) BlackRock Holdco 6, LLC was indirectly owned as to 90% by BlackRock, Inc. BlackRock Holdco 6, LLC held interests in the Company through its indirectly wholly-owned subsidiaries as follows:
    - (i) BlackRock Institutional Trust Company, National Association held 24,347,058 (long position) and 78,000 H Shares (short position) of the Company.
    - (ii) BlackRock Fund Advisors held 64,712,000 H Shares (long position) of the Company.
  - (b) 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 1,344,844 H Shares (long position) of the Company.
    - (ii) BlackRock Asset Management Canada Limited held 2,108,000 H Shares (long position) of the Company.
    - (iii) BlackRock Investment Management (Australia) Limited held 330,000 H Shares (long position) of the Company.
    - (iv) BlackRock Asset Management North Asia Limited held 971,288 H Shares (long position) of the Company.
    - (v) BlackRock Investment Management (Taiwan) Limited held 82,000 H Shares (long position) of the Company.
  - (c) BlackRock Group Limited was indirectly owned as to 90% by BR Jersey International Holdings L.P. (see note 2(b) 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 64,000 H Shares (long position) of the Company.
    - (iii) BlackRock International Limited held 266,000 H Shares (long position) of the Company.
    - (iv) BlackRock Asset Management Ireland Limited held 11,061,865 H Shares (long position) of the Company.
    - (v) BLACKROCK (Luxembourg) S.A. held 11,600,000 H Shares (long position) of the Company.
    - (vi) BlackRock Investment Management (UK) Limited held 7,327,094 H Shares (long position) of the Company.
    - (vii) BlackRock Fund Managers Limited held 2,334,116 H Shares (long position) of the Company.
    - (viii) BlackRock Asset Management (Schweiz) AG held 6,000 H Shares (long position) of the Company.

## CHANGES IN ORDINARY SHARES AND SHAREHOLDERS



- (4) JPMorgan Chase & Co. was deemed to be interested in the long position of a total of 129,309,278 H Shares of the Company (of which 3,152,000 H Shares were held through cash settled (off exchange) derivatives) and the short position of 1,380,073 H Shares (of which 728,073 H Shares were held through cash settled (off exchange) derivatives). 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)
Interest of controlled corporation	5,470,645	738,073	
Investment manager	36,585,000	642,000	
Person having a security interest in shares	508,863		
Approved lending agent			86,744,770

- (5) Citigroup Inc. was deemed to be interested in the long position of a total of 61,432,721 H Shares of the Company (of which 564,000 H Shares were held through cash settled (off exchange) derivatives) and the short position of 221,457 H Shares (of which 2,000 H Shares were held through cash settled (off exchange) derivatives). Citigroup Inc. held interests in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	Number of shares (lending pool)
Interest of controlled corporation	1,063,100	221,457	
Person having a security interest in shares	26,000		
Approved lending agent			60,343,621

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 2018.

# CHANGES IN ORDINARY SHARES AND SHAREHOLDERS



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

### (I) Total number of Controlling Shareholders

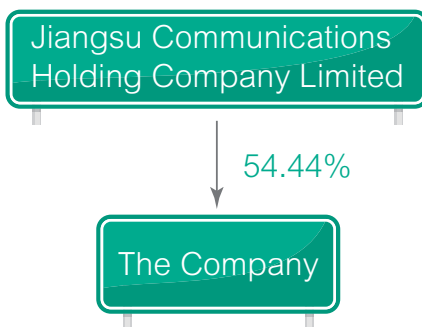
1 Legal person

Applicable  N/A

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.
Explanation of other issues	-

2 Flowchart of the ownership relationship between the Company and the Controlling Shareholder

Applicable  N/A





## CHANGES IN ORDINARY SHARES AND SHAREHOLDERS



### (II) De facto controller of the Company

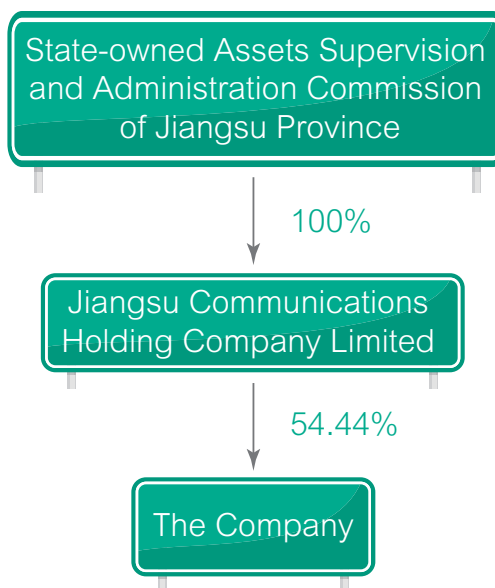
1 Legal person

Applicable  N/A

Name State-owned Assets Supervision and Administration Commission of Jiangsu Province (江蘇省國有資產監督管理委員會)

2 Flowchart of the ownership relationship between the Company and the de facto controller

Applicable  N/A



# CHANGES IN ORDINARY SHARES AND SHAREHOLDERS



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

Applicable       N/A

Unit: Yuan    Currency: RMB

Name of legal person shareholder	Person in charge or legal representative	Date of establishment	Organization code	Number of 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 (commencement of projects subject to submission for approval according to law shall be conditional upon the approval of relevant authorities).
Explanation	Nil				

## V. 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

There are no provisions for pre-emptive rights under the laws of the People's Republic of China and Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### 3. Public float

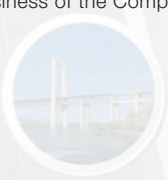
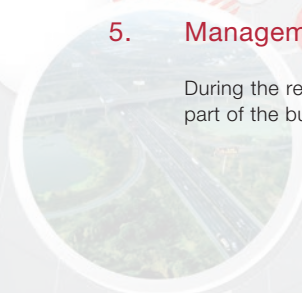
According to public information and as far as the directors are aware, the board of directors is of the view that the public float of the Company as at 22 March 2019 (as the latest practicable date before the date of this report) complied with the requirements of the Hong Kong Listing Rules.

### 4. Shareholders' waiver or consent to dividend arrangements

During the Reporting Period, there were no arrangements on waiver of any dividend by any shareholder.

### 5. Management Contracts

During the reporting period, no contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## I. Changes in shareholdings and remuneration

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

Applicable       N/A

Unit: Share

Name	Position (Note)	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 (RMB'000)	Remuneration received from the related parties of the Company
<b>Current</b>											
Gu De Jun	Chairman of the board of directors, executive director	M	56	2018.06		0	0	0	Nil	-	Yes
Sun Xibin	Executive director, general manager	M	49	2018.10		0	0	0	Nil	27.32	No
Yao Yong Jia	Executive director, deputy general manager, secretary to the board of directors, company secretary in Hong Kong	M	55	2017.06		0	0	0	Nil	77.60	No
Chen Yanli	Non-executive director	M	56	2018.06		0	0	0	Nil	-	Yes
Chen Yongbing	Non-executive director	M	45	2018.06		0	0	0	Nil	-	Yes
Wu Xinhua	Non-executive director	M	52	2016.10		0	0	0	Nil	-	No
Hu Yu	Non-executive director	F	44	2015.06		0	0	0	Nil	-	No
Ma Chung Lai, Lawrence	Non-executive director	M	65	2015.06		0	0	0	Nil	33.92	No
Zhang Zhuting	Independent non-executive director	M	56	2015.06		0	0	0	Nil	10.79	No
Chen Liang	Independent non-executive director	M	54	2015.06		0	0	0	Nil	10.79	No
Lin Hui	Independent non-executive director	M	47	2015.06		0	0	0	Nil	10.79	No
Zhou Shudong	Independent non-executive director	M	58	2018.06		0	0	0	Nil	5.40	No
Liu Xiaoxing	Independent non-executive director	M	49	2018.10		0	0	0	Nil	1.79	No
Yu Lan Ying	Chairman of the supervisory committee	F	48	2018.06		0	0	0	Nil	-	Yes
Ding Guozhen	Supervisor	M	57	2018.06		0	0	0	Nil	-	Yes
Pan Ye	Supervisor	M	31	2016.02		0	0	0	Nil	-	No
Shao Li	Supervisor	F	41	2008.03		0	0	0	Nil	47.81	No
Chen Wei	Supervisor	M	43	2018.08		0	0	0	Nil	46.10	No
Li Jie	Deputy general manager	M	49	2012.08		0	0	0	Nil	72.90	No
Bian Chuanshan	Secretary to the Disciplinary Committee of the Communist Party	M	46	2018.08		0	0	0	Nil	21.61	No
Ren Zhuohua	Financial controller	F	47	2018.06		0	0	0	Nil	35.32	No
Zhu Zhiwei	Deputy secretary of the Communist Party Committee	M	42	2018.08		0	0	0	Nil	25.72	No

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Position (Note)	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 (RMB'000)	Remuneration received from the related parties of the Company
<b>Resigned</b>											
Chang Qing	Chairman of the board of directors	M	56	2016.06	2018.06	0	0	0	Nil	-	Yes
Gu De Jun	General manager	M	56	2016.08	2018.08	0	0	0	Nil	34.63	No
Du Wen Yi	Non-executive director	M	56	2008.06	2018.06	0	0	0	Nil	-	Yes
Zhang Er Zhen	Independent non-executive director	M	66	2012.06	2018.06	0	0	0	Nil	5.40	No
Chen Xiang Hui	Chairman of the supervisory committee	M	56	2016.02	2018.06	0	0	0	Nil	-	Yes
Chen Zhongyang	Supervisor	M	52	2017.06	2018.06	0	0	0	Nil	-	No
Wang Ya Ping	Supervisor	F	56	2015.06	2018.06	0	0	0	Nil	28.52	No
Zhou Chong Ming	Deputy managing general manager	M	46	2018.03	2018.08	0	0	0	Nil	51.19	No
Yin Hong	Financial controller, deputy general manager	F	49	2018.04	2018.06	0	0	0	Nil	4.51	No
Yu Lan Ying	Financial controller, deputy general manager	F	48	2013.04	2018.04	0	0	0	Nil	35.84	No
Total										587.95	



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
<b>Director</b> Gu De Jun	<p>Born in 1963, Gu De Jun is the Chairman of the board of directors, executive director and convener of the Strategy Committee. Mr. Gu is a professor grade senior engineer with a master degree and a bachelor degree. Mr. Gu joined the Group in 2016 and is currently serving as the Chairman of the board of directors 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 development 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>
Sun Xibin	<p>Born in 1970, Sun Xibin holds a master's degree after receiving postgraduate education. Mr. Sun currently serves as the executive director, general manager, member of the Strategy Committee and deputy secretary of the Party Committee of the Company. Mr. Sun has successively served as the deputy general manager and member of the Party Committee of Jiangsu Ninghang Expressway Co., Ltd. (江蘇寧杭高速公路有限公司), deputy director and member of the Party Committee of the Jiangsu Expressway Operation and Management Center (江蘇省高速公路經營管理中心), and general manager and deputy secretary of the Party Committee of Jiangsu Coastal Highway Management Co., Ltd. (江蘇沿海高速公路管理有限公司) since 2003. Mr. Sun has long been engaged in the corporate operation and management in the transport industry with profound knowledge and rich practical experience in modern corporate management.</p>
Yao Yong Jia	<p>Born in 1964, Yao Yong Jia is the executive director, deputy general manager, secretary to the board of directors, company secretary and member of the Strategy Committee. Mr. Yao is a senior engineer with a master degree. Mr. Yao joined the Company in August 1992. He has successively served as heads of Transport Design and Planning Institute of Jiangsu Province, headquarters of expressway construction in Jiangsu Province and Securities Department of the Company, as well as director of the secretariat to the board of directors of the Company. Mr. Yao has extensive experience after being 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.</p>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
Chen Yanli	<p>Born in 1963, Chen Yanli is the non-executive director and member of the Nomination Committee and Remuneration and Appraisal Committee. Mr. Chen is a senior economist with a postgraduate degree. Mr. Chen is currently serving as the vice chief economist and head of the Human Resources Department of Jiangsu Communications Holding Company Limited. From 1983 to 2001, Mr. Chen worked at Xuzhou Lift and Transportation Company (徐州市起重運輸公司), Xuzhou Harbour Engineering Company (徐州市航務工程公司) and Xuzhou Waterways Administration (徐州市航道管理處) and served as deputy director of Xuzhou Waterways Administration. From 2001 to 2016, he successively served as manager of the General Department, assistant to general manager, deputy general manager and general manager of Jiangsu Lianxu Expressway Co., Ltd. (江蘇連徐高速公路有限公司). He has been serving as the head of the Human Resources Department of Jiangsu Communications Holding Company Limited since 2016. Mr. Chen has long been engaged in transportation management and is a senior expert with extensive experience in transport management.</p>
Chen Yongbing	<p>Born in 1974, Chen Yongbing is the non-executive director and member of the Strategy Committee. Mr. Chen holds a bachelor degree with university education. He is currently serving as the head of the Investment Development Department of Jiangsu Communications Holding Company Limited. From 1996 to 2014, Mr. Chen worked at the Enterprise Division of Jiangsu Administrative Bureau of State-owned Property (江蘇省國有資產管理局企業處), the Administrative Office of State-owned Property of the Department of Finance of Jiangsu Province (江蘇省財政廳國有資產管理辦公室) and the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (Jiangsu SASAC). Mr. Chen served as the deputy division chief of the Division of Enterprise Development and Reform (企業發展改革處) of Jiangsu SASAC from 2014 to 2016 and the deputy head of the Investment Development Department of Jiangsu Communications Holding Company Limited from 2016 to January 2018. Mr. Chen has long been engaged in the management of state-owned enterprises and is a senior expert with extensive experience in corporate management.</p>
Wu Xinhua	<p>Born in February 1967, Wu Xinhua is the non-executive director and member of the Nomination 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 the director of the Company since 2016.</p>



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
Hu Yu	<p>Born in 1975, Hu Yu is the non-executive director and members of the Audit Committee and the Remuneration and Appraisal Committee. She is a senior accountant with a master degree in business administration management. She is currently serving as the general manager of Financial Department of China Merchants Expressway Network and Huabei Expressway Co., Ltd. She has successively served as the accountant of Beijing City Development Group, finance manager of the Beijing Branch Office of Shanghai Mitsubishi Elevator Co., Ltd., manager of the Finance Department of China Merchants Corp., supervisor of Guangxi Wuzhou Communications Co., Ltd., and director of Sichuan Expressway Co., Ltd. Ms. Hu has long been engaged in financial management and has extensive experience in financial management and transport management. She has been serving as the director of the Company since 23 June 2015.</p>
Ma Chung Lai, Lawrence	<p>Born in 1954, Ma Chung Lai, Lawrence is the non-executive director and 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 of the People's Republic of China. 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 &amp; 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.</p>
Zhang Zhuting	<p>Born in 1963, Zhang Zhuting is the independent non-executive director and members of the Strategy 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 center 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>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
Chen Liang	<p>Born in 1965, Chen Liang is the independent non-executive director, 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 in 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 was 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>
Lin Hui	<p>Born in 1972, Lin Hui is the independent non-executive director, member of the Nomination Committee and convener of the Remuneration and Appraisal Committee. He holds a doctorate degree in management with a post doctorate degree from 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 research mainly focuses on: 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 HighTech Co., Ltd. Mr. Lin has long been engaged in financial research and 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>
Zhou Shudong	<p>Born in March 1961, Zhou Shudong is the independent non-executive director, member of the Audit Committee and convener of the Nomination Committee. Mr. Zhou holds a doctorate degree and is a professor and a doctoral tutor. He is a professor at the Economics and Management Department of the College of Economics and Management of Nanjing Agricultural University, the deputy director of the Institute of Agricultural Economy of Nanjing Agricultural University, the dean of the Electronic Business Research Center of Nanjing Agricultural University, a consulting expert of the United Nations Environment Programme, vice president of Jiangsu Internet Service Society and deputy chairman of Jiangsu Statistical Society (江蘇省統計學會). He was granted special government subsidies from the State Council. Mr. Zhou was in charge of 40 major research programs at national, provincial and ministerial levels. He is a senior expert with interdisciplinary experience.</p>





# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
Liu Xiaoxing	Born in 1970, Liu Xiaoxing is the independent non-executive director and member of the Audit Committee. He holds a doctorate degree in management science and engineering (financial engineering) and a post-doctoral degree in finance in Fudan University. Mr. Liu is currently the dean and a professor of the Department of Finance of the School of Economics & Management, Southeast University, a doctoral supervisor tutoring students majoring in finance, a member of the Steering Committee for Professional Teaching of Finance in Colleges and Universities (全國高等學校金融學類專業教學指導委員會), council members of the Chinese Finance Annual Meeting (中國金融學年會) and the Chinese Financial Projects Annual Meeting (中國金融工程年會) and the standing committee of Jiangsu Financial Youth Federation (江蘇省金融青聯). Mr. Liu is a head responsible for academic researches by middle-aged and young scholars in the "Excellence Project" (青藍工程) in Jiangsu Province, a tutor teaching technology entrepreneurship in Jiangsu Province and a committee member of the Department of Science of the School of Humanities, Southeast University.
<b>Supervisor</b> Yu Lan Ying	Born in 1971, Yu Lan Ying is the Chairman of the supervisory committee with a master's degree in economics and qualifications of senior accountant and certified public accountant. She is currently serving as the head of the Audit and Risk Control Department of Communications Holding. 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, financial controller and deputy general manager 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.
Ding Guozhen	Born in 1962, Ding Guozhen is the supervisor and a senior economist with university education. He is currently serving as the head of the Corporate Management and Legal Affairs Department of Jiangsu Communications Holding Company Limited. From 1983 to 2004, Mr. Ding has worked in Jiangsu Provincial Automobile Transportation Company and Jiangsu Yangtze Bridge Co., Ltd. From 2004 to 2017, he has assumed various positions in Jiangsu Communications Holding Company Limited, including director, assistant head and deputy head of the Human Resources Department, dean of the Talent and Staff Education and Training Office and head of the Department of Affairs on Old Cadres. He has been working at the current position since 2018. Mr. Ding has long been engaged in corporate management and is a senior expert with extensive experience in corporate management.
Pan Ye	Born in 1988, Pan Ye is the supervisor. He graduated from Northwestern Polytechnic University in the U.S. with a master's degree in business administration. He is currently the manager of Capital Operation Department of Enterprise Management Department of China Merchants Expressway Network. He worked at China Life Insurance Beijing Branch, Beijing Tianyi Fangyuan Management Consulting Ltd. (北京天奕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.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
Shao Li	Born in 1978, Shao Li is the supervisor. He is an economist with postgraduate qualification. 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 successively served as section head and assistant to manager of the Human Resources Department of the Company, and is currently serving as the manager of the Human Resources Department of the Company. Ms. Shao has been engaged in the field of human resources management and possesses extensive experience in human resources management. She has been a supervisor of the Company since 24 March 2008.
Chen Wei	Born in 1976, Chen Wei is the supervisor. He holds a master's degree and is an economist with postgraduate qualification. Mr. Chen is currently serving as the manager of the Investment and Development Department of the Company. Mr. Chen has successively served as section head, assistant to manager and deputy manager of the Investment and Development Department. Mr. Chen has long been engaged in strategic investment and has extensive experience in strategic planning.
<b>Senior management</b>	
Li Jie	Born in 1970, Li Jie is a deputy general manager with a bachelor's degree and qualification of research-grade senior engineer. 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 which enables him to gain extensive professional experience.
Bian Chuanshan	Born in 1973, Bian Chuanshan is the Secretary to the Disciplinary Committee of the Communist Party of the Company. He is a senior political work specialist with postgraduate qualification. Mr. Bian currently serves as the secretary to the Disciplinary Committee and a member of the Party Committee of the Company. He served as an officer at vice-section level of the Youth League of the Jiangsu Provincial Party Committee since 1996. Since 2001, he has successively served as the head, assistant to manager, vice-director of Huaian Management Office (淮安管理處處長) and manager of the General Department of Jiangsu Jinghu Expressway Company Limited (江蘇京滬高速公路有限公司), and deputy head of the Corporate Management and Legal Affairs Department of Jiangsu Communications Holding Company Limited. Mr. Bian has long been engaged in corporate management with extensive legal affairs and corporate management experience.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



Name	Brief biography
Ren Zhuohua	Born in 1972, Ren Zhuohua is the financial controller and a senior accountant with university education. She has successively served as an accountant of the Construction Command Department of Jiangsu Expressway (江蘇省高速公路建設指揮部) and the Finance director of Expansion and Construction Command Department of Jiangsu Shanghai-Nanjing Expressway (江蘇滬寧高速公路擴建工程指揮部), an officer of the Corporate Finance Department for Operation and Development (經營發展公司財務部) of the Company, the manager of the Finance and Accounting Department of the Company and an assistant to general manager of Jiangsu Communications Holding Group Finance Co., Ltd. (江蘇交通控股集團財務有限公司). Ms. Ren has been engaged in financial management and business management since she started working, and she is a professional with extensive experience in financial management and business management.
Zhu Zhiwei	Born in 1977, Zhu Zhiwei is the deputy secretary of the Communist Party Committee. He holds a master's degree and is a senior engineer with university background. Mr. Zhu currently serves as the deputy secretary of the Party Committee, member of the Party Committee and director of Ningzhen Management Office (寧鎮管理處處長) of the Company. Since 1996, Mr. Zhu has served as an employee at Machinery and Equipment Leasing Company of Roads & Bridges Company under Jiangsu Communications Department (江蘇省交通廳路橋公司機械設備租賃公司), and an officer, head of the Engineering and Technology Department, assistant to manager, vice manager and manager of the Corporate Management Department, director of Ningzhen Management Office, and deputy secretary to the Party general branch of the Company. Mr. Zhu has long been engaged in corporate management with extensive corporate management experience.

## Other explanations

Applicable       N/A

1. 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 or shares options of the Company or was granted restricted shares or debentures of the Company.
2. There was no related party/connected relationship between the directors, supervisors 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).
3. Apart from the remuneration listed above, the Company did not make any other payments to its directors or supervisors. During the Reporting Period, there was no arrangement under which a director waived or agreed 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.
4. 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 handed over to relevant social insurance authorities.
5. Post-employment benefits included annuities paid by the Company, as well as pension insurance premium and unemployment insurance premium handed over to relevant social insurance authorities.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## II. Details of current and resigned directors, supervisors and members of senior management of the Company during the Reporting Period

### (I) Details of service in shareholders' entities

Applicable       N/A

Name of employee	Name of shareholders' entity	Position held in shareholders' entity	Date of commencement of appointment	Date of termination of appointment
Gu De Jun	Jiangsu Communications Holding Company Limited	Deputy general manager		
Chen Yanli	Jiangsu Communications Holding Company Limited	Director of Human Resources Department		
Chen Yongbing	Jiangsu Communications Holding Company Limited	Director of Investment and Development Department		
Yu Lan Ying	Jiangsu Communications Holding Company Limited	Director of Audit and Risk Control Department		
Ding Guozhen	Jiangsu Communications Holding Company Limited	Director of Corporate Management and Legal Department		
Wu Xinhua	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Deputy general manager, secretary to the board of directors		
Hu Yu	China Merchants Expressway Network & Technology Holdings Co., Ltd.	General manager of Financial Department		
Pan Ye	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Manager of Capital Operation Department		
Explanation of service in shareholders' entities		Nil		



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



### (II) Details of service in other entities

Applicable       N/A

Name of employee	Name of other entity	Position held in other entities	Date of commencement of appointment	Date of termination of appointment
Wu Xinhua	Fujian Expressway Development Co. Ltd.	Vice Chairman	May 2016	May 2019
	Taching Petroleum Co., Ltd.	General manager		
Ma Chung Lai, Lawrence	Wing Hing Enterprise Company	Vice president	July 2010	
	Jiangsu JieJie Microelectronics Co., Ltd.	Independent director		
Chen Liang	Jiangsu Guoxin Company Limited (江蘇國信股份有限公司)	Independent director	August 2014	
	Changshu Automotive Decoration Co., Ltd (常熟汽車飾品股份有限公司)	Independent director		
	Nantong Haixing Electronic Limited Liability Company	Independent director		
Lin Hui	Jiangsu Hiteker High-Tech Co., Ltd.	Independent director	December 2010	August 2019
	Jiangsu Sunrain Solar Energy Co., Ltd. (日出東方太陽能股份有限公司)	Independent director	August 2016	
	China Design Group Co., Ltd. (中設設計集團股份有限公司)	Independent director	December 2016	
Liu Xiaoxing	Jiangsu HopeRun Software Co., Ltd	Independent director		

Explanation for service in other entities

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## III. Remuneration of directors, supervisors and senior management

Applicable       N/A

Decision-making procedures for remuneration of the directors, supervisors and senior management

On behalf of the board of directors, the Remuneration and Appraisal Committee has prepared a remuneration scheme for non-executive directors and independent directors by setting benchmarks pursuant to the relevant rules of the domestic and overseas securities regulatory departments. Taking into account of the average remuneration levels in different markets and the actual circumstances of the Company, the committee proposed the remuneration scheme to the board of directors which was considered and approved at the general meeting of the Company. The Company enters into agreements with directors who receive remuneration from the Company, under which remuneration is paid annually.

Basis for determination of remuneration of the directors, supervisors and senior management

1 non-executive director and 5 independent directors engaged by the Company received directors' fees from the Company. The fee levels were set with reference to the average fee levels in Hong Kong and the PRC.

Remuneration actually paid to the directors, supervisors and senior management

1. In 2018, remuneration paid to 1 non-executive director in Hong Kong amounted to RMB339,200 (before tax); in 2018, remuneration paid to each of 3 independent directors engaged in the PRC was RMB107,900 (before tax); in 2018, remuneration paid to each of 2 independent directors engaged in the PRC was RMB54,000 (before tax), and remuneration paid to 1 independent director engaged in the PRC in October 2018 was RMB17,900 (before tax); 2. 4 non-executive directors and 3 supervisors who were nominated by shareholders' entities received remuneration therefrom. The Company no longer paid additional remuneration to such directors and supervisors. 3. 2 executive directors and 2 staff representative supervisors taking up management duties in the Company received management remunerations in line with their specific management positions. The Company no longer paid additional fees to such directors and supervisors. 4. The senior management of the Company includes various deputy general managers, assistants to general manager and the financial controller. The senior management received management remunerations in line with their respective positions. The total amount of remuneration received consists of, namely, salary, performance-based bonus, as well as the Company's contribution to pension scheme and other benefits.

Total remuneration actually received by all directors, supervisors and members of senior management at the end of the Reporting Period

RMB5.8795 million



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## IV. Changes of directors, supervisors, and senior management of the Company

Applicable

N/A

Name	Position held	Change	Reasons for change
Gu De Jun	Chairman of the board of directors	Appointment	Election
Sun Xibin	Executive director	Appointment	Election
Chen Yanli	Non-executive director	Appointment	Election
Chen Yongbing	Non-executive director	Appointment	Election
Zhou Shudong	Independent non-executive director	Appointment	Election
Liu Xiaoxing	Independent non-executive director	Appointment	Election
Yu Lan Ying	Chairman of the supervisory committee	Appointment	Election
Ding Guozhen	Supervisor	Appointment	Election
Chen Wei	Supervisor	Appointment	Election
Bian Chuanshan	Secretary to the Disciplinary Committee of the Communist Party	Appointment	Change in work arrangements
Ren Zhuohua	Financial controller	Appointment	Change in work arrangements
Zhu Zhiwei	Deputy secretary of the Communist Party Committee	Appointment	Change in work arrangements
Chang Qing	Chairman of the board of directors	Resignation	Change in work arrangements
Gu De Jun	Executive director, general manager	Resignation	Change in work arrangements
Du Wen Yi	Non-executive director	Resignation	Change in work arrangements
Zhang Er Zhen	Independent non-executive director	Resignation	Change in work arrangements
Chen Xiang Hui	Chairman of the supervisory committee	Resignation	Change in work arrangements
Chen Zhongyang	Supervisor	Resignation	Change in work arrangements
Wang Ya Ping	Supervisor	Resignation	Change in work arrangements
Zhou Chong Ming	Deputy managing general manager	Resignation	Change in work arrangements
Yin Hong	Financial controller, deputy general manager	Resignation	Change in work arrangements
Yu Lan Ying	Financial controller, deputy general manager	Resignation	Change in work arrangements

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## V. Details of staff of the parent company and its major subsidiaries

### (I) Staff profile

Number of current staff in the parent company	3,406
Number of current staff in the major subsidiaries	1,882
Total number of current staff	5,288
Number of resigned and retired staff whose expenses shall be borne by the parent company and its major subsidiaries	5

#### Composition of professional team

Category of professional team	Headcount of professionals
Production staff	4,594
Sales staff	7
Technicians	32
Financial staff	123
Administrative staff	532
<b>Total</b>	<b>5,288</b>

#### Education level

Category of education level	Headcount (Person)
University or above	1,448
Tertiary	1,922
Vocational or below	1,918
<b>Total</b>	<b>5,288</b>





# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## (II) Remuneration Policy

Applicable       N/A

Based on the characteristics of road-and-bridge enterprises, the Company determines the employees' salaries according to their specific positions and their performance. In 2018, by adhering to the goal of "being in line with other listed road and bridge companies and serving as a gateway to Jiangsu's highway market", we continued to innovate the cadre management mechanism, to improve the performance appraisal system, to promote steady adjustment of employee positions and to actively implement the caring employee policy. Through the attraction of the positions, matching of salaries, incentive-oriented assessment, improvement of welfare, the Company has created a harmonious and friendly team atmosphere and an aggressive work style, further stimulating the enthusiasm of our employees to work and encouraging them to contribute for the realization of the company's goals. During the Reporting Period, the total remuneration for the employees amounted to approximately RMB990,537,053.

In 2018, focusing on the strategic goals and work highlights for the year, the Company strictly carried out the administrative measures on performance appraisal and implementation rules. Based on natural conditions and different personnel characteristics, etc. and to further balance various indicators, the Company regularly conducted appraisals and assessments on the performance of employees and departments. The Company continued to carry out brand-building and encouraged staff to improve their performance based on their positions. The Company nurtured skilful business professionals, carried forward the spirit of craftsmanship and improved all staff members' performance by ways of the brand-building of "Jasmine Flower", selection of "Star Toll Collectors" among toll collectors, certification of the qualifications and grades of maintenance and hindrance clearance workers and appraisal on management staff according to their positions, etc. During the year, the Company selected a total of 125 outstanding staff members, toll collection staff members and service staff members and 58 outstanding teams. The company vigorously promoted past role models, gave material rewards in a timely manner, and encouraged a learning trend for advocating efficiency and excellence by "learning from such exemplars and honoring the role models".

## (III) Training Programs

Applicable       N/A

Staff and talents are crucial to corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuous learning. Employees are encouraged to enhance their own capabilities and competitiveness to achieve enhancement of human resources. Total training fees incurred during the Reporting Period amounted to approximately RMB7,321,000. The number of attendances at the programs was 7,037. The participating staff ranged from junior front-line staff members to the senior management.

During the Reporting Period, the Company adhered to the principle of tiered implementation of training programs, conducted training in multiple dimensions, and strengthened the development of internal part-time lecturers in order to be prepared for continuous learning. First, the middle-level management personnel actively participated in various professional continuous learning courses held by the holding company group and competent departments. The training has obviously improved the comprehensive capability of the relevant staff. Secondly, we will continue to carry out communist education



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



for cadres, integrity education, and occupation training for party members, etc. to prop up party rule. We are committed to building a solid team whose members are “politically correct, loyal and responsible”. Thirdly, we carry out transfer training with the needs of transformation and development. For the staff stationed at sub-expressway toll stations in service areas, the onboard training for transferred personnel of Yangcheng Lake, Fangmaoshan and Douzhuang Service Area has been carried out with 150 attendance records. Fourth, we always adhere to the humanistic concept of caring for the physical and mental health of employees, and regularly carried out the psychological counseling and treatment training for employees. In recent years, the establishment and management of the Mind Stations of various management offices have been taken place with great effect and the Mind Stations have become the soul harbor for employees. In addition to regular mental health lectures, the Company held the Behavioral Treatment Technology Improvement Class in 2018, aiming at further enhancing the counseling skills and practical capability of part-time counselors in the hope to give full play to the function of the Company’s staff psychological counseling system. The number of attendances at the training for a total of 60 hours (5 days) was 50. Fifth, we seek to promote skill specialization for junior toll collectors in an era of intelligent charging business, in order to cope with the post adjustment brought about by the trend of “machinery replacing labor”, improve the vocational skills of frontline employees, and increase the production efficiency and service quality of junior staff. The Human Resource Department of the Company, together with the IT Department, carried out a survey targeting junior staff and received views among staff. With the support from the teachers of Jiangsu Provincial Transportation Technician College (江蘇省交通技師學院), we held the first 7-day computer network and IT pilot training and prepared related materials. The participants mainly came from junior toll station and check-in personnel through voluntary enrollment and peer recommendation. The 50 employees attending the pilot training always kept great attention to and strong curiosity about new knowledge during the training. They actively raised questions and joined the training on machinery operation, creating a good learning atmosphere. They all finally passed the final examination. Up to 20 students receives 80 marks or above. The pilot training on computer network and IT has not only improved the integrated quality of staff, but also enabled each member to adapt to the rapid market and corporate change in this ever-changing era, enhanced their own competitiveness and nurtured backup forces for the Company. There is a pressing need for the operation and maintenance of highway electromechanical systems. The junior employees should not only be the users of the systems, but also need to be the “therapists” for such systems to carry out “all-round treatment”. In 2019, the Company will carry out the subsequent trainings with an attendance of over 800 people.

During the Reporting Period, the Company further strengthened the management of human resources and put in place a talent-nurturing and corporate enhancement strategy. According to the needs of talent development, the Company proactively participated in the Mutual Selection Event for Fresh Graduates held by Communications Holding and the Organization Department of Provincial Party Committee. Through selecting and recruiting all-round talents in line with the development needs of the Company, the Company further enriched its talents pool.

## (IV) Outsourcing of labour

Applicable       N/A

Total working hours of outsourced labour	1 year
Total remuneration paid to outsourced labour	RMB36,702,400



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES



## VI. Others

Applicable       N/A

### 1. Contracts with directors and supervisors

Apart from entering into service contracts with the executive directors, the Company has also entered into engagement letters with each of the other directors and supervisors. The contents of such contracts were the same in all material respects. The term of such contracts commenced from the date of convening the 2018 annual general meeting (or the appointment date) until the date of convening the 2020 annual general meeting. The Company, the directors or the supervisors may terminate the contracts by giving not less than three months of 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 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 directors and supervisors in contracts

There was no transaction, arrangement or contract of significance to the Group in which any director or supervisor or any entity related/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 directors, supervisors and members of senior management

During the Reporting Period, the directors, supervisors and members of senior management of the Company have signed the letters of declaration and undertaking in accordance with the requirements of Listing Rules of the SSE.

### 4. Loan or loan guarantee granted to directors, supervisors and members of senior management

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 related/connected with such directors or supervisors, or did not 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.

### 5. Model Code for Securities Transactions by directors

After the Company has made enquiries with all of the directors and supervisors, 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 entered into 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 executives or key members of 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 subject to disclosure under the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

During the Reporting Period, the Company and its subsidiaries and associated companies did not make any arrangements to grant to any of the directors, supervisors or 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 to acquire benefits.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 7. Training for directors, supervisors and members of senior management

To promote awareness of corporate governance among directors, supervisors and members of senior management, the secretary to the board of directors of the Company continuously focused on 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 arranged by the local securities regulatory bureaux, so as to facilitate their continuous professional development.

For the year ended 31 December 2018, the Company arranged in-house training for all directors relating to ongoing compliance obligations, corporate governance and other related topics. In compliance with Rule 3.29 of the Listing Rules, Mr. Yao Yong Jia, our executive director and Joint Company Secretary, has undertaken not less than 15 hours of relevant professional training for the year ended 31 December 2018.

During the Reporting Period, the directors participated in the following trainings to update and develop their expertise and knowledge:

	Director's responsibilities/ environmental, social and corporate governance (Hour)	Laws, regulations and listing rules (Hour)	The Group's operations (Hour)
<b>Executive directors</b>			
Gu De Jun (current)	2	5	2
Sun Xibin (current)	3	5	1
Yao Yong Jia (current)	7	5	3
<b>Non-executive directors</b>			
Chen Yanli (current)	3	4	1
Chen Yongbing (current)	3	4	1
Wu Xinhua (current)	4	3	1
Hu Yu (current)	3	4	1
Ma Chung Lai, Lawrence (current)	5	3	1
<b>Independent non-executive directors</b>			
Zhang Zhuting (current)	3	4	1
Chen Liang (current)	3	4	1
Lin Hui (current)	3	4	1
Zhou Shudong (current)	3	4	1
Liu Xiaoxing (current)	3	4	1
<b>Retired directors</b>			
Chang Qing	3	4	1
Du Wen Yi	3	4	1
Zhang Er Zhen	3	4	1

## 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 either in the Company's businesses or another business which competes or is likely to compete with the Company's businesses.

## 9. Permitted indemnity provision of directors and supervisors

There is no permitted indemnity provision in favor of one or more (former and existing) directors of the Company (or the Company's associated company(ies)) or of his/their associated company(ies).



## I. Details of Corporate Governance of the Company

Applicable       N/A

“The Rule of Law” is the cornerstone which safeguards the development of the Company; and good corporate governance is crucial to upholding and enhancing the Company’s value as well as investors’ confidence. The Company adheres to the corporate philosophy of integrity and diligence, and has established and improved various operational rules in accordance with the modern corporate system. We also continuously improves the effectiveness of governance.

The Company is listed on both the Shanghai Stock Exchange and the Stock Exchange. In terms of corporate governance practices, it is required to comply with the applicable laws and securities regulatory requirements of both places. During the Reporting Period, the Company effectively complied with the requirements of the Company Law and China Securities Regulatory Commission in accordance with the new requirements for domestic and overseas supervision, and fully adopted the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange. Save as disclosed in the “Corporate Governance” section, there are no major deviations or violations of the provisions of the Code.

The Company has established a system of rights and responsibilities that are clearly defined and effectively balanced by the shareholders’ meeting, the board of directors, the supervisory committee and the management. The Company operates independently according to the law and fulfills its rights and obligations in accordance with the duties vested by the Articles of Association.

During the Reporting Period, the major aspects of corporate governance are as follows:

### 1. On shareholders and shareholders’ meetings

The Company convenes and calls general meetings of shareholders in strict accordance with the Articles of Association and Rules of the General Meeting of Shareholders before the lawyers. The Company has adopted on-site voting methods for all shareholders and online voting methods for shareholders’ meetings to ensure that all shareholders participate in the decision-making process. At the same time, according to the regulatory requirements of both places, the Company has confirmed that votes of small and medium investors have been separately counted and open solicitation of voting rights of shareholders has been taken place, etc., providing favorable conditions for small and medium investors to participate in decision-making and fully exercise their rights.

### 2. On members and operation of the board of directors

As at the date of this Report, the board of directors of the Company had a total of 13 members, namely, Gu De Jun (Chairman of the board of directors), Sun Xibin and Yao Yong Jia as executive director; Chen Yanli, Chen Yongbing, Wu Xinhua, Hu Yu and Ma Chung Lai, Lawrence as non-executive director; and Zhang Zhuting, Chen Liang, Lin Hui, Zhou Shudong and Liu Xiaoxing as independent non-executive directors. During the Reporting Period, 2 new directors were elected at the 2017 Annual General Meeting to replace the retired, and 1 executive director and 1 independent non-executive director were by-elected at the second extraordinary shareholders’ meeting in 2018. At present, there are 13 members of the ninth session of the board of directors, including 3 executive directors, 10 non-executive directors; 3 executive directors and 4 non-executive directors are nominated by shareholders’ entities; and 6 external directors, including 1 non-executive director, who is a Hong Kong celebrity, and 5 independent non-executive directors, ensuring the board’s independence. Also, 1 director is female, which also ensures the diversity of board members and helps the board analyze and discuss issues in multiple dimensions.



The members of this session of the board of directors work in and have professional experience in the highway, infrastructure, investment, financial accounting, finance and securities, economic management, business management, finance and insurance and other sectors. 2 of the directors possess professional accounting qualifications and financial management expertise as required by the regulatory authorities. The diversity of board members in terms of experience, skills, judgment and other aspects will help the board of directors make more prudent and considerate decisions.

As at the date of this report, Zhang Zhuting, Chen Liang, Lin Hui, Zhou Shudong and Liu Xiaoxing served as the independent non-executive directors of the board of directors of the Company, representing more than one-third of the board members. 1 independent non-executive director (Chen Liang) had professional accounting qualification and financial management expertise as required by the regulatory authorities. Independent non-executive directors played a key role in various committees of the board of directors. A majority of members of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee were independent non-executive directors, one of whom was the chairperson of each of such committees. The independent non-executive directors could play a good role in safeguarding the interests of the Company and the shareholders as a whole by promoting independence and checks and balances in the board of directors, which actively advanced the continuous improvement of corporate governance and risk management standards of the Company and fully leveraged their expertise to render 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 has received written confirmations from all independent non-executive directors in respect of their independence and considers that the relevant independent non-executive directors are independent persons according to the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules.

During the Reporting Period, the board of directors held a total of 11 meetings, 8 of which were face-to-face meetings and 3 of which were conducted by way of telecommunication for voting. Through appropriate means such as holding regular meetings or extraordinary meetings and signing board resolutions or authorizations, the board of directors conducted discussions and made decisions on major matters, such as business and financial performance, general elections of the board of directors, financing schemes, 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.

### 3. On supervisors and supervisory committee

The supervisory committee of the Company comprises 5 supervisors, 2 of whom are nominated by staff representative supervisors. The composition of the supervisory committee is in compliance with the requirements under the relevant laws and regulations. The supervisory committee of the Company shall carry out its work in accordance with the provisions of the Articles of Association and the Rules of Procedure. The supervisors of the Company can perform their duties conscientiously and monitor the Company's financial position and performance of duties by directors and other members of senior management of the Company in a responsible manner in order to safeguard the interests of all shareholders and the company as a whole.





## 4. On misappropriation of capital by the Controlling Shareholders and related party transactions

Through formulation and strict implementation of the Administrative Measures on Related Party Transactions, the Company stipulates specific measures to prevent the Controlling Shareholder from misappropriating the Company's assets with a view to achieving such goal. During the Reporting Period, the Company's Controlling Shareholder complied with the relevant rules and did not directly or indirectly interfere with the Company's business activities by bypassing the shareholders' meeting. The board of directors, supervisory committee and internal institutions of the Company could operate independently. Moreover, in respect of related party transactions, the Company strictly observed the necessary review procedures and statutory disclosure procedures as required by the Stock Exchange and SSE to prevent transfer of benefit and falsification of business results by conducting improper related party transactions. It was ensured that the related party transactions would not cause any negative impact on the Company and they were fair and reasonable and in the interests of the Company and the shareholders as a whole. The disclosure of relevant information was timely, accurate and complete.

## 5. On the "three-meeting" decision-making process

In standardizing the "three meeting" decision-making process, the Company has deployed and made objective decisions on daily business activities and major investment events to ensure that all major events are completed under the necessary statutory approval procedures. In accordance with the requirements of the Measures on "Three Major and One Significant (三重一大)" Decision-making Process, the Company establishes and improves various basic work procedures in respect of "Three Major and One Significant (三重一大)" decision-making matters, standardizes the decision-making process in respect of major events of the Company, improves decision-making efficiency and prevents decision-making risks, thus ensuring the scientific and compliant development of the Company.

## 6. On information disclosure

In order to improve the quality of information disclosure, the Company strictly abides by the provisions of information disclosure, conducts classification disclosure work in accordance with various disclosure requirements, and conscientiously carries out pre-audit review of each announcement in liaison and coordination with various agencies. The Company timely discovers and corrects problems to ensure all data are complete and accurate. To ensure the quality and comprehensiveness of the Company's information disclosure, we enhance our self-management capability of information disclosure, etc. and deliver more real and objective information to investors.

## 7. On the management of 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, Management System Governing Insiders and Management System Governing External Information Users to regulate the acts of such insiders in dealing in the shares of the Company and prevent them from abusing the right to access insider information, leak insider information or conduct insider trading, so as to safeguard the interests of the Company and uphold the principle of fairness on information disclosure. During the Reporting Period, the Company carried out project investment. The Company strictly complied with 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 an absence of abnormal share price fluctuations or insider trading as a result of information leakage.



## 8. On misappropriation of capital and related party/connected transactions

During the Reporting Period, the Company conducted a further thorough self-investigation into misappropriation of capital and related party/connected transactions, etc. in order to ensure that necessary statutory approval procedures were performed in respect of all material matters, strictly control different types of risks of violation and further enhance the quality of standardized operation of the Company. Practically, 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 as required by the Stock Exchange and SSE to prevent transfer of benefit and falsification of business results by conducting 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 the shareholders as a whole.

## 9. On internal audit management and internal control and risk management

Currently, the Company has established the risk management and internal control systems. During the year, the Company's internal audit department, Strategy Committee and external independent auditor 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 under risk management and internal control was carried out each year.

The board of directors of the Company acknowledges that it shall be responsible for the risk management and internal control systems and reviewing their effectiveness annually. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business goals. There is only reasonable but not absolute assurance that material misrepresentations or losses can be avoided. The board of directors (including independent non-executive directors) has considered the opinions offered by the Strategy Committee, reviewed the risk management and internal control systems of the Group and is of the view that such systems are effective and adequate.

The Company has taken into consideration the resources, staff qualifications and experience in corporate accounting and internal auditing in reviewing the risk management and internal control matters. The Company has sufficient resources to support financial reporting. The relevant employees also possess the qualifications and experience required for their positions and have the opportunity to receive targeted professional trainings each year.

The Company has established a special audit department to audit the risk management and internal control systems of the Company. In addition, the Company's internal audit department and external independent auditor also conducts a comprehensive audit each year to recognize, assess and manage material risks, review the effectiveness of the Company's risk management and internal control systems and resolve material internal control errors. Save as described in paragraph 7 headed "On the management of inside information" above, the Company also deals with and publishes inside information and internal control measures through the board secretary's office from time to time during the year.







## 10. On investor relations management and dividend policy

Investor relations serve as a window of a listed company to the market. The Company has been emphasizing investor relations work by focusing on coordinating the relationship between the Company and investors, holding a prudent and calm attitude towards various investors' calls, and extending our great hospitality to the media from different parties. The Company liaises with investors in a timely, accurate and detailed manner via the network information platform, keeps positive interaction with investors and the media and maintains close contact with the analysts of various securities brokers and research institutions by phone during working hours, so that investors can accurately grasp the information of the Company which can also have an understanding of the investors' concerns for enabling us to make future decisions about the capital market.

The Company has established a positive and stable dividend policy in the Articles, formulated a reasonable dividend mechanism, and promoted more active returns to shareholders, thus creating a harmonious and win-win investment, financing and value investment atmosphere. 20 years of adoption of the cash dividend distribution policy since the Company's listing has laid a solid foundation for us to establish a healthy image of compliance and transparency.

Returns to shareholders have been treated as the primary responsibility of the Company. Taking into account the long-term interests of investors and current revenue, the Company will maintain a stable dividend policy in the coming years.

During the Reporting Period, the Company actively carried out track audit on financial revenue, budgetary plans and major projects; we also conscientiously conducted off-office audit and commenced economic liabilities audit. The Company actively arranged and put in place the evaluation of internal control and defect rectification in order to ensure the effective implementation of internal control policies. As to the review on standard compliance, the Company reviewed the propriety, adequacy and effectiveness of quality, environmental and occupational health and safety management systems to identify defects, reinforce management standards and safeguard the sustainable and healthy development of the Company through internal review on standard compliance together with external professional institutions' review.

## 11. On social responsibilities

As a listed company principally engaged in the investment, construction, operation and management of toll roads and bridges in the transport infrastructure sector, the Company, in active and strict compliance with the laws and regulations of China and relevant corporate governance requirements of the Articles of Association, Shanghai Stock Exchange and Stock Exchange, is committed to increasing our presence in the industry, performing our basic social responsibility to meet public demand for transport services and promote the community's economic development, creating good investment returns to shareholders on an ongoing basis and striving to generate returns to stakeholders including employees, customers and business partners.

Guided by the principle of people-oriented and scientific development and by deploying resources in a more efficient way, the Company strives for the maximization of the economic, social and environmental benefits and achieving comprehensive, sustainable and balanced development of the economy, society and environment. 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 service, and endeavors to develop as an environmentally friendly and resource conservative enterprise of low energy consumption, low carbon emission, environmental conservation 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 various social responsibilities for our stakeholders, including for shareholders, employees, consumers, the community and the environment. For details, please refer to the 2018 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)).

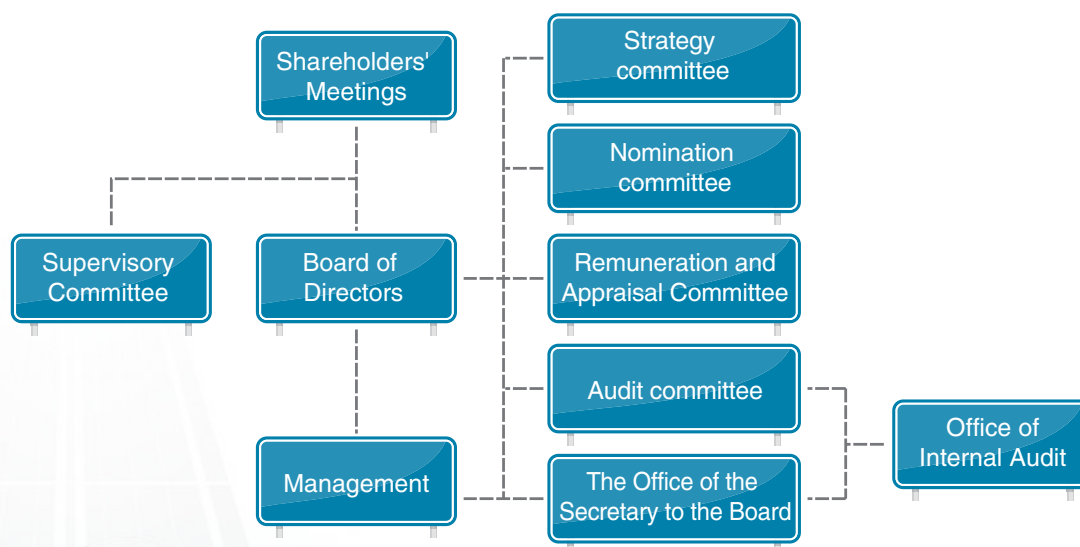
## 12. On achievements in corporate governance

During the Reporting Period, save as disclosed in this section headed “Corporate Governance Report”, the Company fully met the requirements of recommended best practices under the Corporate Governance Code in certain aspects. None of the Company and board of directors, supervisory committee, directors, supervisors and members of senior management of the Company has been liable to administrative sanctions, reprimanded by way of announcement or subject to public censure by regulatory authorities.

During the Reporting Period, the Company was granted the Award for Top 100 Companies by Value Among Companies Listed on the Main Board in the “Twelfth Competition of Listed Companies in the PRC by Value” by China Securities Times; 2018 “Golden Wing Award” Hong Kong Stock Connect Investment Return Ranking; and 2018 China A-share Listed Company Zijin Innovation Award. These awards fully reflected the Company’s efforts in corporate governance.

## II. Corporate Governance Structure and Operation Overview

### Corporate governance structure and rules



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

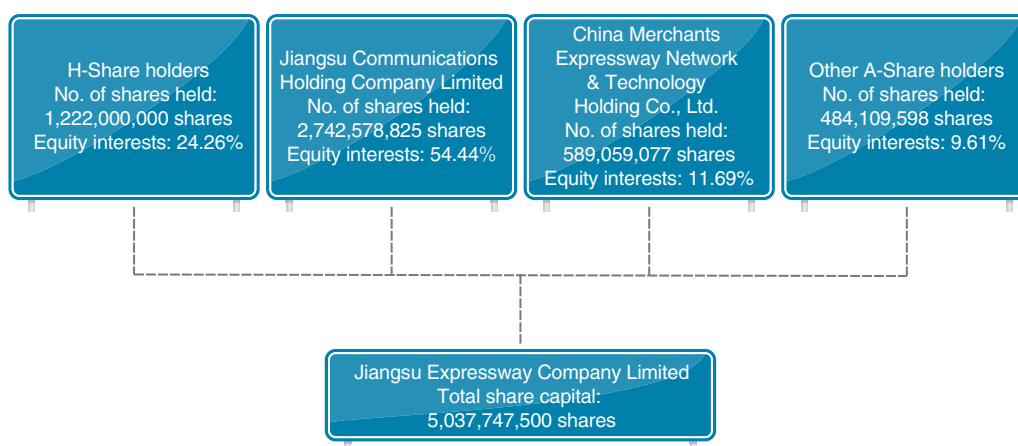
The Company for the reporting period amended certain provisions of the Articles of Association on 3 separate occasions, for details please refer to the announcements published by the company on 23 March 2018, 28 June 2018 and 24 August 2018.



### 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.



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.

## Overview of general meetings

Session	Date	Designated website for publishing resolutions	Date of disclosure and publishing of resolutions
2017 Annual General Meeting	21 June 2018	www.sse.com.cn; www.hkexnews.hk; www.jsexpressway.com	22 June 2018
First 2018 Extraordinary General Meeting	23 August 2018	www.sse.com.cn; www.hkexnews.hk; www.jsexpressway.com	24 August 2018
Second 2018 Extraordinary General Meeting	25 October 2018	www.sse.com.cn; www.hkexnews.hk; www.jsexpressway.com	26 October 2018

Explanation of general meeting

Applicable  N/A

The resolutions of the above general meetings are available on the websites of SSE (<http://www.sse.com.cn>), HKEx (<http://www.hkexnews.hk>) and the Company (<http://www.jsexpressway.com>).

In the three general meetings mentioned above, the Company passed special resolutions to approve amendments to the Articles of Association, including:

- Reducing the threshold for shareholders to put forward proposals at a general meeting from 5% to 3% ;
- Except for exceptional circumstances, the Company unless approved by a special resolution at a general meeting shall not enter into any contract pursuant to which such party shall be in charge of management of the whole or any substantial part of the Company's business ;
- Allow for (i)the Board, (ii) the Supervisory Committee and (iii) shareholders individually or jointly holding more than 3% of the shares of the Company to have the right to propose motions 10 days prior to convening the general meeting. The convener shall issue a supplemental notice within 2 days after receipt of such proposals ;
- Allow for shareholders to take one of the following stances when a proposal is put forward at general meeting for voting (i) for, (ii) against or (iii) abstain, and if voting slips are left blank, incorrectly completed, illegible or without vote casting the voter concerned is deemed to have waived his voting rights and the votes in respect of the number of shares held by him shall be counted as "abstain";
- Abolish the 5% minimum shareholding requirement for soliciting votes from other shareholders and to require information including the specific voting intention to be fully disclosed to the persons whose voting rights are being solicited as well as prohibiting soliciting voting rights of the shareholders by compensation or disguised compensation;
- Require votes cast by small and medium investors to be counted separately and publicly disclosed where material issues affecting the interest of small and medium investors are being considered at general meeting;
- Require the Company to adopt a consistent and stable profit distribution policy, which emphasizes investors' reasonable investment return whilst ensuring the Company's continuous development. The Company's profit distribution shall not exceed the accumulated distributable profits;



- Apart from the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China, the Articles of Association are to be formulated in accordance with the Constitution of the Communist Party of China;
- The newly added Chapter 4 of the Articles of Association to establish the legal status of the Party Organization within the Company's governance structure
- Abolish the Chairman of the Board's power to nominate a person to preside over a general meeting in his absence, and a director elected by a majority of the directors to preside over the meeting instead;
- To add two directors to the Board of Directors, raising the number from 11 to 13, and to increase the number of independent directors from 4 to 5.

### 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:

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.

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.

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.

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.

Where the Supervisory Committee or shareholders decide(s) to convene the extraordinary general meeting by themselves, they shall send out a written notice to the Board, and shall file with the regional office of CSRC at the locality of the Company and the stock exchange. The shareholding of the convening shareholders shall not be lower than 10% prior to the announcement of the resolutions of the general meeting. The convening shareholder shall submit relevant evidence to the regional office of CSRC at the place where the Company is located and the stock exchange(s) upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.



## 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 an general meeting, the shareholders individually or collectively holding over 3% of the total voting shares of the Company have the right to submit new proposals to the Company in writing 10 days prior to convening the general meeting to the convener. (being the Board of Directors). (address: 6 Xianlin Avenue, Nanjing City, Jiangsu Province, the PRC; Addressee: Mr. Yao Yong Jia (Company Secretary)) A supplemental notice shall be issued by the convener within 2 days after receipt of such proposals. Save as prescribed above, the convener shall neither revised the proposals stated in the notice of general meetings nor add in new proposals after issuing the notice of general meeting. 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..

## Procedures for directing shareholders' enquiries to the Board

Pursuant to the Article 8.3(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: [jshh@jsexpwy.com](mailto:jshh@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.





### III. Directors' performance of duties

#### (I) Details of directors' attendance at board of directors meetings and general meetings

Name of director	Attendance at board of directors meetings						Attendance at general meetings	
	Whether he is an independent director	Number of board meetings required to attend during the year	Number of attendance in person	Number of attendance by way of telecommunication	Number of attendance by proxy	Number of absence	Whether he fails to attend two consecutive board of directors meetings in person	Number of attendance at general meetings
Gu De Jun	NO	11	8	3	0	0	NO	3
Chen Yanli	NO	6	5	1	0	0	NO	2
Chen Yongbing	NO	6	4	1	1	0	NO	2
Sun Xibin	NO	3	3	0	0	0	NO	0
Yao Yong Jia	NO	11	8	3	0	0	NO	3
Wu Xinhua	NO	11	5	3	3	0	NO	2
Hu Yu	NO	11	6	3	2	0	NO	2
Ma Chung Lai, Lawrence	NO	11	7	3	1	0	NO	2
Zhang Zhuting	YES	11	5	3	3	0	NO	1
Chen Liang	YES	11	7	3	1	0	NO	3
Lin Hui	YES	11	8	3	0	0	NO	3
Zhou Shudong	YES	6	5	1	0	0	NO	2
Liu Xiaoxing	YES	3	3	0	0	0	NO	0

On 21 June 2018, the Company held the 2017 annual general meeting to conduct the general election of the board of directors at which the members of the ninth session of the board of directors were elected; Mr. Chang Qing and Mr. Du Wen Yi, the then members of the eighth session of the board of directors, resigned as directors due to change in work arrangements; Mr. Chen Yanli and Mr. Chen Yongbing were elected as the directors of the ninth session of the board of directors; Mr. Zhang Er Zhen, an independent director, no longer served as, and resigned as, independent director as he had served as independent director of the Company for two consecutive terms in accordance with the listing rules of the Shanghai Stock Exchange; Mr. Zhou Shudong was elected as the independent director of the ninth session of the board of directors; The Company held the second 2018 extraordinary shareholders' meeting on 25 October, at which Mr. Sun Xibin and Mr. Liu Xiaoxing were by-elected as directors of the ninth session of the board of directors.

Number of board of directors meetings convened during the year	11
Of which: number of face-to-face meetings	8
Number of meetings convened by way of telecommunication	3
Number of face-to-face meetings convened by way of telecommunication	0

#### (II) Independent directors' objections to matters of the Company

Applicable  N/A



## IV. Details of objections contained in important views and proposals raised by special committees under the board of directors in the performance of their duties during the Reporting Period subject to disclosure

Applicable       N/A

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 Gu De Jun (chairman), Sun Xibin, Chen YongBing, Yao Yong Jia, Ma Chung Lai, Lawrence, and Zhang Er Zhen\*.

\* Independent non-executive director

Chen YongBing and Ma Chung Lai, Lawrence are non-executive directors; Gu De Jun, Sun Xubin 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 2018 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 committee reviewed the 2018 Evaluation Report on Internal Control of the Company and assisted the board of directors in making an independent assessment on the effectiveness of the Company's risk management and internal control to ensure its establishment and implementation of appropriate risk management and internal control systems and procedures.

In 2018, 3 meetings of the Strategy Committee were held with all of the then incumbent members present.

#### During the Reporting Period,

- the Strategy Committee provided proactive support for the Company's strategic investments focusing on finance and quasi-finance equity. In order to give full play to the use efficiency and benefits of its own funds, the Company used its own funds to invest in the "Fuanda – Fuxiang No. 15 Equity-Based Asset Management Scheme" set up by Fuanda Fund, in which the Company acted as the settlor with the capital contribution not exceeding RMB1 billion, and the asset management scheme had a term of no more than 4 years. The scheme was mainly used to invest in financial equity, and the investment in such project was of important strategic significance for the Company's development of financial investment.
- the committee continued to furnish the management with professional advice on the Company's significant matters and the enhancement of management standards in a timely manner, and reminded the management of any risks associated with such matters on an ongoing basis.
- the 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 Company were effective and appropriate.
- 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.





- the 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 internal control 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.

## Audit Committee

The Audit Committee was established in 2001. Its current members comprise Chen Liang\* (Chairman), Zhou Shudong\*, Hu Yu and Liu Xiaoxing\*.

\* Independent non-executive director;

Hu Yu 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 2018 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 2018 to the board of directors:

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

In 2018, the Audit Committee held a total of 5 meetings, including 4 regular reporting meetings and 1 meeting convened with an external auditor attending to discuss the audit work on the annual results for the year 2018.

#### 2. The contents of the major work of Audit Committee in 2018

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 2017 and the unaudited financial statements for the first quarter, first half year and the third quarter of 2018 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 2018, 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 2018 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 2018 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 21 March 2019. The committee reviewed the 2018 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 2018 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 2018. The Audit Committee considered that the accounting policies and accounting estimates adopted by the Group for the year of 2018 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 2018 audit report on 22 March 2019. Based on the aforementioned work and the audit report of the auditors, the Audit Committee considered that the Group's 2018 financial statements truthfully and reasonably reflect its operating results in the year of 2018 and the financial position as at 31 December 2018, and thus suggested the board of directors to approve the same.

#### 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 2018 with regulatory requirements and timely disclosure of information.

#### 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.

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

In 2018, 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 2018 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 2019 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.

#### 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 Zhou Shudong\* (Chairman), Chen Yanli, Wu Xin Hua, Chen Liang\* and Lin Hui\*.

\* Independent non-executive directors

Wu Xin Hua and Chen Yanli 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 2018 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 2018 to the board of directors:

During the Reporting Period, the Nomination Committee convened 3 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 ninth session of the board of directors of the Company comprises 13 members. There are 3 executive directors and 10 non-executive directors, in which 7 non-executive directors were nominated by shareholders and the rest 6 (including 1 director is a renowned figure in Hong Kong) were externally engaged by the Company. The inclusion of five 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.

## 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), Chen Yanli, Hu Yu, Zhang Zhu Ting\*, Chen Liang\*.

\* Independent non-executive directors

Chen Yanli 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 2018 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 2018 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 1 meeting for the year of 2018 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 2018. 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 2018.

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.

## Supervisors and Supervisory Committee

During the Reporting Period, due to work reallocation of some supervisors, three new supervisors were elected to replace a former supervisor at the annual general meeting of the Company held on 21 June 2018. 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 Yu Lan Ying (Chairman of the Supervisory Committee), Ding Guozhen, Pan Ye, Shao Li and Chen Wei.

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 eight 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. During the reporting period, 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.

### 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) of the Corporate Governance Code and strived to fulfill the recommended best practices. Other than the code provisions E.1.2 of the Corporate Governance Code 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.

### 2017 Annual General Meeting

According to code provision E.1.2 of the Corporate Governance Code, the chairman of the board of directors shall attend the annual general meeting. At that time, Chang Qing, the chairman of the board of directors of the Company, was unable to attend the Company's annual general meeting on 21 June 2018 due to business affairs. The general meeting was changed to be chaired by Mr. Gu De Jun, another director of the Company. Mr. Gu has been a director of the Company since 27 October 2016 and is familiar with the operation of the Company. Mr. Gu has also attended the annual general meeting of the Company and understood the process of such meeting. Therefore, the annual general meeting was not affected by the absence of Mr. Chang.



## V. Explanation on risks of the Company discovered by the supervisory committee

Applicable  N/A

## VI. Details of failure to ensure the Company's independence from the Controlling Shareholder in terms of operation, personnel, assets, structure and finance as well as to maintain capability to maintain independent operation

Applicable  N/A

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.

## VII. Details of establishment and implementation of assessment mechanism for senior management and incentive mechanism during the Reporting Period

Applicable  N/A

The management of the Company, comprising 1 general manager, 2 deputy general managers, 1 secretary to the Disciplinary Committee of the Communist Party, 1 financial controller and 1 deputy secretary of the Communist Party Committee, is in charge of the coordination and management of the businesses and operation of the Group, implementation of strategies formulated by the board of directors, and decision-making and control in respect of day-to-day business and operation management, financial management and human resources management.

The board of directors and the Remuneration and Appraisal Committee of the board of directors are responsible for the appraisal of the Company's management and setting of various performance targets in terms of operating revenue, operating costs, etc., profit indicators and business targets in terms of operation management. Upon consideration and approval of the board of directors at the beginning of each year, the Company assigns specific tasks to various functional departments for appraisal. The general manager of the Company signs annual responsibility letters with the persons-in-charge of the respective departments. At the end of each year, the board of directors assesses the management's performance based on the achievement rates of such targets.

## VIII. Disclosure of self-evaluation reports on internal control

Applicable  N/A

The board of directors of the Company has prepared the 2018 Self-Evaluation Report on Internal Control. During the Reporting Period, there was an absence of other information on risk management and internal control that might result in a significant impact on the investors' understanding of the risk management and internal control evaluation reports and risk management and internal control evaluation in making investment decisions. Disclosure of information on the Company's risk management and internal control performance for this year has been taken place. The full text of the 2018 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)).

### Explanation of significant internal control errors during the Reporting Period

Applicable  N/A



## IX. Information on internal control audit report

Applicable       N/A

Deloitte has issued an internal control audit report of the Company for 2018 and is of the view that the Company has kept effective internal control over financial reporting in all material aspects pursuant to the Basic Guidelines on Enterprise Risk Management and Internal Control and other relevant requirements as of 31 December 2018. The full text of the 2018 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

Whether or not to disclose the internal control audit report: YES



# AUDITOR'S REPORT



De Shi Bao (Shen) Zi (19) No. P01689

## 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 2018, 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 2018, 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 at 31 December 2018, the net amount of the operation rights of the Company was RMB19,728,849,647, and the amortization amount of highway operation right in 2018 was RMB1,185,868,451. 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.



## 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 2018, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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.



## 6. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (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

Chinese Certified Public Accountant: Wang Fan

22 March 2019

*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 2018



Unit: RMB

Item	Note	31 December 2018	31 December 2017	Item	Note	31 December 2018	31 December 2017
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	VI 1	649,761,591	269,357,751	Short-term borrowings	VI 19	1,580,000,000	3,599,000,000
Held-for-trading financial assets	VI 2	683,326,861	38,871,811	Notes payable and accounts payable	VI 20	1,090,607,320	921,349,151
Notes receivable and accounts receivable	VI 3	322,839,992	309,247,630	Receipts in advance	VI 21	73,454,895	840,007,370
Prepayments	VI 4	29,060,041	10,200,712	Contract liabilities	VI 22	962,200,983	-
Other receivables	VI 5	37,833,951	106,256,683	Employee benefits payable	VI 23	2,917,980	3,636,736
Inventories	VI 6	4,045,555,776	3,010,805,685	Taxes payable	VI 24	271,704,890	275,210,217
Non-current assets due within one year	VI 7	-	300,000,000	Other payables	VI 25	270,459,371	217,363,761
Other current assets	VI 8	130,656,171	557,742,656	Non-current liabilities due within one year	VI 26	381,700,433	623,841,375
				Other current liabilities	VI 27	2,212,191,672	2,243,200,002
<b>Total Current Assets</b>		<b>5,899,034,383</b>	<b>4,602,482,928</b>	<b>Total Current Liabilities</b>		<b>6,845,237,544</b>	<b>8,723,608,612</b>
<b>Non-current Assets:</b>				<b>Non-current Liabilities:</b>			
Available-for-sale financial assets		-	2,329,877,191	Long-term borrowings	VI 28	7,688,853,902	3,874,089,201
Investments in other equity instruments	VI 9	3,035,293,680	-	Bonds payable	VI 29	3,980,548,108	3,970,157,835
Other non-current financial assets	VI 10	1,111,415,422	-	Deferred income	VI 30	43,109,916	33,638,147
Long-term equity investments	VI 11	5,702,454,036	5,123,326,114	Provisions	VI 31	461,700	8,010,000
Investment properties	VI 12	19,207,033	20,019,608	Deferred tax liabilities	VI 17	250,660,721	28,056,831
Fixed assets	VI 13	1,814,133,323	1,740,197,103				
Construction in progress	VI 14	10,087,826,331	8,294,639,339	<b>Total Non-current Liabilities</b>		<b>11,963,634,347</b>	<b>7,913,952,014</b>
Intangible assets	VI 15	20,280,055,629	19,962,642,227				
Long-term prepaid expenses	VI 16	1,654,145	1,069,666	<b>TOTAL LIABILITIES</b>		<b>18,808,871,891</b>	<b>16,637,560,626</b>
Deferred tax assets	VI 17	197,447,059	258,020,384				
Other non-current assets	VI 18	14,207,792	200,216,678	<b>Shareholders' Equity:</b>			
<b>Total Non-current Assets</b>		<b>42,263,694,450</b>	<b>37,930,008,310</b>	Share capital	VI 32	5,037,747,500	5,037,747,500
<b>TOTAL ASSETS</b>		<b>48,162,728,833</b>	<b>42,532,491,238</b>	Capital reserve	VI 33	10,428,388,235	10,428,388,235
				Other comprehensive income	VI 34	837,827,667	380,908,923
				Surplus reserve	VI 35	3,411,194,285	3,273,492,299
				Retained profits	VI 36	6,422,040,045	4,399,747,006
				<b>Total shareholders' equity attributable to equity holders of the Company</b>		<b>26,137,197,732</b>	<b>23,520,283,963</b>
				Minority interests		3,216,659,210	2,374,646,649
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>29,353,856,942</b>	<b>25,894,930,612</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>48,162,728,833</b>	<b>42,532,491,238</b>

The accompanying notes form part of the financial statements

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# BALANCE SHEET OF THE COMPANY

For the year ended 31 December 2018



Unit: RMB

Item	Note	31 December 2018	31 December 2017	Item	Note	31 December 2018	31 December 2017
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	XV 1	100,931,394	135,125,679	Short-term borrowings	XV 16	1,690,000,000	2,863,000,000
Held-for-trading financial assets	XV 2	193,000,000	-	Notes payable and accounts payable	XV 17	491,880,235	341,840,658
Notes receivable and accounts receivable	XV 3	218,353,103	213,001,356	Receipts in advance		68,061,949	15,441,862
Prepayments	XV 4	8,598,094	2,379,548	Contract liabilities		-	-
Other receivables	XV 5	44,321,154	96,016,166	Employee benefits payable	XV 18	2,242,393	978,932
Inventories	XV 6	11,305,004	22,502,218	Taxes payable	XV 19	135,467,755	185,938,684
Non-current assets due within one year	XV 7	-	350,000,000	Other payables	XV 20	169,847,846	173,994,541
Other current assets	XV 8	7,000,000	404,000,000	Non-current liabilities due within one year	XV 21	1,700,433	500,841,376
				Other current liabilities		2,212,191,672	2,243,200,002
<b>Total Current Assets</b>		<b>583,508,749</b>	<b>1,223,024,967</b>	<b>Total Current Liabilities</b>		<b>4,771,392,283</b>	<b>6,325,236,055</b>
<b>Non-current Assets:</b>				<b>Non-current Liabilities:</b>			
Available-for-sale financial assets		-	1,383,230,000	Long-term borrowings	XV 22	15,303,902	16,189,201
Investments in other equity instruments	XV 9	1,933,153,680	-	Bonds payable		3,980,548,108	3,970,157,835
Long-term equity investments	XV 10	14,290,944,294	15,027,677,472	Deferred tax liabilities	XV 14	-	24,766,288
Fixed assets	XV 11	948,663,656	1,016,202,346	Provisions		461,700	8,010,000
Construction in progress	XV 12	50,503,852	13,073,662	<b>Total Non-current Liabilities</b>		<b>3,996,313,710</b>	<b>4,019,123,324</b>
Intangible assets	XV 13	10,087,165,531	10,736,032,358	<b>TOTAL LIABILITIES</b>		<b>8,767,705,993</b>	<b>10,344,359,379</b>
Deferred tax assets	XV 14	45,120,214	-	<b>Shareholders' Equity:</b>			
Other non-current assets	XV 15	2,604,419,552	2,190,581,936	Share capital		5,037,747,500	5,037,747,500
<b>Total Non-current Assets</b>		<b>29,959,970,779</b>	<b>30,366,797,774</b>	Capital reserve	XV 23	7,327,650,327	7,327,650,327
<b>TOTAL ASSETS</b>		<b>30,543,479,528</b>	<b>31,589,822,741</b>	Other comprehensive income	XV 24	289,485,952	362,483,691
				Surplus reserve	XV 25	2,518,873,750	2,518,873,750
				Retained profits	XV 26	6,602,016,006	5,998,708,094
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>21,775,773,535</b>	<b>21,245,463,362</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>30,543,479,528</b>	<b>31,589,822,741</b>

The accompanying notes form part of the financial statements

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018



Unit: RMB

Item	Note	Amount for the current year	Amount for the prior year
<b>I. Total operating income</b>	VI 37	<b>9,969,011,165</b>	9,455,680,365
Including: Operating income		<b>9,969,011,165</b>	9,455,680,365
Less: Total operating costs		<b>5,517,481,346</b>	5,320,013,514
Including: Operating costs	VI 37	<b>4,574,394,775</b>	4,334,469,882
Taxes and levies	VI 38	<b>168,977,540</b>	87,587,512
Selling expenses	VI 39	<b>37,740,441</b>	11,891,705
Administrative expenses	VI 40	<b>211,774,236</b>	187,898,191
Financial expenses	VI 41	<b>524,560,684</b>	480,441,961
Including: Interest expenses		<b>499,232,330</b>	471,952,511
Interest income		<b>8,735,205</b>	5,038,043
Impairment losses of assets	VI 42	<b>-</b>	217,724,263
Impairment losses of credit	VI 43	<b>33,670</b>	-
Add: Gains (losses) from changes in fair values	VI 44	<b>158,299,349</b>	5,659,094
Investment income	VI 45	<b>1,056,795,788</b>	586,872,528
Including: Income from investments in associates and joint ventures		<b>575,193,240</b>	494,404,818
Losses from disposal of assets	VI 46	<b>(7,661,280)</b>	(5,659,248)
Other income	VI 47	<b>1,974,866</b>	1,828,188
<b>II. Operating profit</b>		<b>5,660,938,542</b>	4,724,367,413
Add: Non-operating income	VI 48	<b>21,943,624</b>	14,176,399
Less: Non-operating expenses	VI 49	<b>30,241,723</b>	24,721,090
<b>III. Total profit</b>		<b>5,652,640,443</b>	4,713,822,722
Less: Income tax expenses	VI 50	<b>1,176,929,505</b>	1,029,003,204
<b>IV. Net profit</b>		<b>4,475,710,938</b>	3,684,819,518
(I) Categorized by the nature of continuing operation:			
1. Net profit from continuing operations		<b>4,475,710,938</b>	3,684,819,518
2. Net profit from discontinued operations		<b>-</b>	-
(II) Categorized by ownership:			
1. Net profit (loss) attributable to owners of the Company		<b>4,376,603,925</b>	3,587,861,857
2. Profit or loss attributable to minority interests		<b>99,107,013</b>	96,957,661
<b>V. Other comprehensive income, net of tax</b>	VI 51	<b>550,433,418</b>	(161,480,129)
Other comprehensive income attributable to owners of the Company, net of tax		<b>456,918,744</b>	(161,480,129)
(I) Other comprehensive income that cannot be reclassified to profit or loss		<b>456,918,744</b>	-
1. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		<b>155,637,001</b>	-
2. Changes in fair value of investments in other equity instruments		<b>301,281,743</b>	-
(II) Other comprehensive income that will be reclassified to profit or loss		<b>-</b>	(161,480,129)
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		<b>-</b>	(161,480,129)
Other comprehensive income attributable to minority interests, net of tax		<b>93,514,674</b>	-
<b>VI. Total comprehensive income</b>		<b>5,026,144,356</b>	3,523,339,389
Total comprehensive income attributable to owners of the Company		<b>4,833,522,669</b>	3,426,381,728
Total comprehensive income attributable to minority interests		<b>192,621,687</b>	96,957,661
<b>VII. Earnings per share</b>			
(I) Basic earnings per share		<b>0.8688</b>	0.7122
(II) Diluted earnings per share		<b>N/A</b>	N/A

The accompanying notes form part of the financial statements

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2018



Unit: RMB

Item	Note	Amount for the current year	Amount for the prior year
<b>I. Total operating income</b>	XV 27	<b>6,388,622,505</b>	6,551,657,907
Less: Operating costs	XV 27	<b>2,742,132,352</b>	2,924,428,999
Taxes and levies	XV 28	<b>45,540,161</b>	41,317,310
Administrative expenses	XV 29	<b>151,455,278</b>	133,750,018
Financial expenses	XV 30	<b>384,009,422</b>	366,184,937
Including: Interest expenses		<b>365,442,552</b>	358,315,211
Interest income		<b>2,320,069</b>	1,771,582
Impairment losses of assets	XV 31	-	217,727,054
Impairment losses of credit	XV 32	<b>13,699</b>	-
Add: Investment income	XV 33	<b>581,747,312</b>	859,889,804
Including: Income from investments in associates and joint ventures		<b>367,113,800</b>	308,612,467
Gains (losses) from disposal of assets	XV 34	<b>(5,582,053)</b>	(2,656,442)
<b>II. Operating profit</b>		<b>3,641,636,852</b>	3,725,482,951
Add: Non-operating income	XV 35	<b>8,478,302</b>	8,697,310
Less: Non-operating expenses	XV 36	<b>22,564,812</b>	16,490,025
<b>III. Total profit</b>		<b>3,627,550,342</b>	3,717,690,236
Less: Income tax expenses	XV 37	<b>807,633,530</b>	759,102,156
<b>IV. Net profit</b>		<b>2,819,916,812</b>	2,958,588,080
(I) Net profit from continuing operations		<b>2,819,916,812</b>	2,958,588,080
(II) Net profit from discontinued operations		-	-
<b>V. Net other comprehensive income after tax</b>	XV 38	<b>(72,997,739)</b>	(161,480,129)
(I) Other comprehensive income that cannot be reclassified into profit or loss		<b>(72,997,739)</b>	-
1. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		<b>155,637,001</b>	-
2. Changes in fair value of investments in other equity instruments		<b>(228,634,740)</b>	-
(II) Other comprehensive income that will be reclassified into profit or loss		-	(161,480,129)
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		-	(161,480,129)
<b>VI. Total comprehensive income</b>		<b>2,746,919,073</b>	2,797,107,951

The accompanying notes form part of the financial statements

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018



Unit: RMB

Item	Note	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		<b>10,133,907,008</b>	9,705,074,616
Other cash receipts relating to operating activities	VI 53 (1)	<b>43,992,102</b>	85,241,484
Sub-total of cash inflows from operating activities		<b>10,177,899,110</b>	9,790,316,100
Cash payments for goods purchased and services received		<b>1,827,537,984</b>	2,250,687,820
Cash payments to and on behalf of employees		<b>991,255,808</b>	912,508,761
Payments of various types of taxes		<b>1,462,051,892</b>	1,319,643,498
Other cash payments relating to operating activities	VI 53 (2)	<b>181,563,919</b>	75,371,043
Sub-total of cash outflows from operating activities		<b>4,462,409,603</b>	4,558,211,122
Net Cash Flow from Operating Activities		<b>5,715,489,507</b>	5,232,104,978
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>4,789,670,000</b>	3,609,953,747
Cash receipts from investment income		<b>362,612,674</b>	188,557,751
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>10,045,608</b>	415,072,493
Other cash receipts relating to investing activities	VI 53 (3)	<b>369,000,000</b>	–
Sub-total of cash inflows from investing activities		<b>5,531,328,282</b>	4,213,583,991
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>3,545,159,221</b>	7,398,167,915
Cash payments to acquire investments		<b>6,102,874,079</b>	4,278,382,278
Net cash payments for acquisitions of subsidiaries and other business units	VI 54 (2)	<b>176,872,621</b>	–
Other cash payments relating to investing activities	VI 53 (4)	<b>480,000,000</b>	120,000,000
Sub-total of cash outflows from investing activities		<b>10,304,905,921</b>	11,796,550,193
Net Cash Flow from Investing Activities		<b>(4,773,577,639)</b>	(7,582,966,202)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		<b>664,482,752</b>	1,618,445,170
Including: cash receipts from capital contributions from minority owners of subsidiaries		<b>664,482,752</b>	1,618,445,170
Cash receipts from borrowings		<b>9,137,000,000</b>	9,016,900,000
Cash receipts from issue of bonds		<b>5,200,000,000</b>	6,200,000,000
Other cash receipts relating to financing activities	VI 53 (5)	<b>–</b>	–
Sub-total of cash inflows from financing activities		<b>15,001,482,752</b>	16,835,345,170
Cash repayments of borrowings		<b>12,784,979,797</b>	11,721,704,918
Cash payments for distribution of dividends or profits or settlement of interest expenses		<b>2,889,845,891</b>	2,679,912,913
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		<b>15,091,878</b>	72,856,986
Other cash payments relating to financing activities	VI 53 (6)	<b>16,200,711</b>	14,380,393
Sub-total of cash outflows from financing activities		<b>15,691,026,399</b>	14,415,998,224
Net Cash Flow generated from Financing Activities		<b>(689,543,647)</b>	2,419,346,946
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		<b>–</b>	–
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>			
Add: 31 December 2017 of Cash and Cash Equivalents	VI 54 (1)	<b>252,368,221</b>	68,485,722
	VI 54 (3)	<b>262,758,700</b>	194,272,978
<b>VI. 31 December 2018 of Cash and Cash Equivalents</b>			
	VI 54 (3)	<b>515,126,921</b>	262,758,700

The accompanying notes form part of the financial statements

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:



# CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2018



Unit: RMB

Item	Note	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		<b>6,800,820,949</b>	6,870,363,947
Other cash receipts relating to operating activities	XV 40 (1)	<b>10,771,276</b>	10,263,498
Sub-total of cash inflows from operating activities		<b>6,811,592,225</b>	6,880,627,445
Cash payments for goods purchased and services received		<b>1,454,263,795</b>	1,867,869,412
Cash payments to and on behalf of employees		<b>643,688,909</b>	590,677,496
Payments of various types of taxes		<b>1,092,708,334</b>	1,011,421,247
Other cash payments relating to operating activities	XV 40 (2)	<b>53,635,354</b>	44,471,792
Sub-total of cash outflows from operating activities		<b>3,244,296,392</b>	3,514,439,947
Net Cash Flow from Operating Activities		<b>3,567,295,833</b>	3,366,187,498
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>5,365,980,000</b>	2,145,400,000
Cash receipts from investment income		<b>404,242,542</b>	632,626,394
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>8,834,720</b>	395,461,810
Other cash receipts relating to investing activities	XV 40 (3)	<b>469,000,000</b>	400,000,000
Sub-total of cash inflows from investing activities		<b>6,248,057,262</b>	3,573,488,204
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>113,557,351</b>	60,723,257
Cash payments to acquire investments		<b>4,338,980,000</b>	2,783,900,000
Net cash payments for acquisitions of subsidiaries and other business units		<b>527,019,800</b>	1,773,096,830
Other cash payments relating to investing activities	XV 40 (4)	<b>537,000,000</b>	120,000,000
Sub-total of cash outflows from investing activities		<b>5,516,557,151</b>	4,737,720,087
Net Cash Flow from (used in) used in Investing Activities		<b>731,500,111</b>	(1,164,231,883)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		<b>6,770,000,000</b>	5,239,000,000
Cash receipts from issue of bonds		<b>5,200,000,000</b>	6,200,000,000
Sub-total of cash inflows from financing activities		<b>11,970,000,000</b>	11,439,000,000
Cash repayments of borrowings		<b>13,644,629,797</b>	11,147,704,918
Cash payments for distribution of dividends or profits or settlement of interest expenses		<b>2,644,685,197</b>	2,442,393,829
Other cash payments relating to financing activities	XV 40 (5)	<b>13,675,235</b>	14,380,392
Sub-total of cash outflows from financing activities		<b>16,302,990,229</b>	13,604,479,139
Net Cash Flow from Financing Activities		<b>(4,332,990,229)</b>	(2,165,479,139)
<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>	XV 41	<b>(34,194,285)</b>	36,476,476
Add: 31 December 2017 of Cash and Cash Equivalents	XV 41	<b>135,125,679</b>	98,649,203
<b>VI. 31 December 2018 of Cash and Cash Equivalents</b>	XV 41	<b>100,931,394</b>	135,125,679

The accompanying notes form part of the financial statements

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018



Unit: RMB

Item	Amount for the current year														Total shareholders' equity Other equity instruments
	Attributable to owners of the Company														
	Other equity instruments														
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Minority interests	Share capital		
I. Closing balance as at 31 December 2017	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		
II. Changes for the year	-	-	-	-	-	-	456,918,744	-	137,701,986	-	2,022,293,039	842,012,561	3,458,926,330		
(i) Total comprehensive income	-	-	-	-	-	-	456,918,744	-	-	-	4,376,603,925	192,621,687	5,026,144,356		
(ii) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	664,482,752	664,482,752		
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	664,482,752	664,482,752		
(iii) Profit distribution	-	-	-	-	-	-	-	-	137,701,986	-	(2,354,310,886)	(15,091,878)	(2,231,700,778)		
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	137,701,986	-	(137,701,986)	-	-		
2. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,216,608,900)	(15,091,878)	(2,231,700,778)		
III. Closing balance as at 31 December 2018	5,037,747,500	-	-	-10,428,388,235	-	-	837,827,667	-	3,411,194,285	-	6,422,040,045	3,216,659,210	29,353,856,942		

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018



Unit: RMB

Item	Amount for the current year													Total shareholders' equity
	Attributable to owners of the Company												Other equity instruments	
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Minority interests		
	Share capital	Preferred shares	Perpetual debts	Others										
<b>I. 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>II. 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		
(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. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(72,856,986)	(2,188,710,936)		
<b>III. 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 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2018



Unit: RMB

Item	Amount for the current year											
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Total owner's equity
Share capital	Preferred shares	Perpetual debts	Others									
I. 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
II. Changes for the year	-	-	-	-	-	-	(72,997,739)	-	-	-	603,307,912	530,310,173
(i) Total comprehensive income	-	-	-	-	-	-	(72,997,739)	-	-	-	2,819,916,812	2,746,919,073
(ii) Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,216,608,900)	(2,216,608,900)
1. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,216,608,900)	(2,216,608,900)
III. Closing balance as at 31 December 2018	5,037,747,500	-	-	-	7,327,650,327	-	289,485,952	-	2,518,873,750	-	6,602,016,006	21,775,773,535

The financial statements on pages 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2018



Unit: RMB

Item	Amount for the current year											
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Total owner's equity
	Share capital	Preferred shares	Perpetual debts	Others								
<b>I. Closing balance as at 1 January 2017</b>	5,037,747,500	-	-	-	7,327,650,327	-	523,963,820	-	2,518,873,750	-	5,155,973,964	20,564,209,361
<b>II. Changes for the year</b>	-	-	-	-	-	-	(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) Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
1. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
<b>III. Closing balance as at 31 December 2017</b>	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 138 to 295 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## I. BASIC INFORMATION ABOUT THE COMPANY

### 1. General

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") 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").

### 2. Scope of consolidated financial statements

The Company and the consolidated financial are approved by the Board of Directors on 22 March 2019.

Subsidiaries consolidated in the financial statements are listed in Note VIII "Equity in other entities". The details are set out in Note VII "Changes of Consolidated Financial Statement Scope".

## 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.

### Going concern

As at 31 December 2018, the Group had total current liabilities in excess of total current assets of RMB946,203,161. As at 31 December 2018, the Group has available unutilized bank loan facilities with a time limit over one year of approximately RMB23,082,960,000 and authorized but not issued super short-term bonds and medium term notes with a time limit over one year of approximately RMB1,800,000,000. 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### Basis of accounting and principle of measurement (Continued)

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.

## 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 11, 16, 19 and 25 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 2018, changes in equity of the Company and consolidated shareholders 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 2018



## 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. For business combination not involving enterprises under common control realized through by steps multiple transaction, combination cost is the sum of the consideration paid at the purchase date and the fair value at the purchase date of the equity held by the acquiree prior to the purchase date. 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 2018



## 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 31 December 2017 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.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

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. Classification of joint arrangements and accounting treatments of joint operations

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group accounts for investments in joint ventures using equity method. Refer to Note III 14.3.2 "Long-term equity investments accounted for using the equity method" for details.

### 8. 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 (normally due within 3 months since purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 9. 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 classified as at fair value through comprehensive income arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 9. Translation of transactions denominated in foreign currencies (Continued)

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

### 10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases or sales of financial assets are recognized for acquired assets and assumed liabilities and derecognized for sold assets on a trade date basis.

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. For accounts receivable excluding significant financing components or regardless of financing components of contracts less than one year recognized based on Accounting Standard for Business Enterprises No. 14 – Revenue (“Standards for Revenue”), accounts receivable initially recognized shall be measured at transaction price defined based on the Standards for Revenue on initial recognition.

Effective interest method is the method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant year.

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 to the net carrying amount of the financial asset or financial liability. When determining the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (i.e. repayment in advance, term extension, call options or other similar options etc.), but does not consider future credit losses.

The amortized costs of financial assets or financial liabilities are calculated as the initial recognized amounts of financial assets or financial liabilities less repaid principals, plus or less the cumulative amortization amount generated from amortization of differences between initial recognized amounts and amounts at maturity date, as well as deducting provision for accumulative losses (only for financial assets).

#### 10.1 Classification and measurement of financial assets

After initial recognition, the Group shall measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. Such financial assets mainly include cash and bank balances, notes receivable and accounts receivable and other receivables.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group shall classify the financial asset into the financial assets at FVTOCI. Such financial assets are other debt investments, other debt investments due within one year (inclusive) since balance sheet date are presented in non-current assets due within one year; other debt investments due within one year (inclusive) upon acquisition are presented in other current assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Financial instruments (Continued)

#### 10.1 Classification and measurement of financial assets (Continued)

Financial assets at FVTPL include financial assets at FVTPL and those designated as at FVTPL is presented in held-for-trading financial assets. Financial assets due over one year and expected to be held for over one year (or without fixed term) since balance sheet date are presented in other non-current financial assets.

- Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are categorized into financial assets measured at FVTPL.
- On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

On initial recognition, the Group, based on an individual financial assets, can irrevocably designate non-tradable investments in equity instrument recognized as financial assets at FVTOCI, other than contingent considerations recognized in business combination not involving common control. Such financial assets are presented as investments in other equity instruments.

The Group's purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.
- The relevant financial assets are, on initial recognition, a part of the centrally-managed identifiable financial instrument portfolio, and the objective evidence indicates that short-term profit model exists in the near future.
- The relevant financial assets are derivative instruments. However, derivatives that meet the definition of financial guarantee contracts and those designated as effective hedging instruments are excluded.

The financial assets held by the Group include financial assets measured at amortized cost, at FVOCI, and at FVTPL.

##### 10.1.1 Financial assets classified as at amortized cost

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

For financial assets measured at amortized cost, the Group recognizes interest income using effective interest method. The Group calculates and recognizes interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

##### 10.1.2. Financial assets at FVTPL

FVTPL include financial assets classified as at FVTPL and those designated as at FVTPL.

##### 10.1.3 Financial assets designated as at FVTOCI

After designating a non-tradable investments equity instrument as a financial asset at FVTOCI, the changes in fair value of such financial asset are recognized in other comprehensive income. On derecognition of the financial asset, accumulated gains or losses previously recognized in other comprehensive income are transferred from other comprehensive income to retained profits. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Financial instruments (Continued)

#### 10.2. Impairment of financial assets

The Group shall recognize a loss allowance for expected credit losses on financial assets at amortized cost, a lease receivable, accounts receivable and a financial guarantee contract.

The Group makes a loss allowance against amount of expected credit losses during the whole life of all accounts receivable arising from transactions conducted in accordance with Standards for Revenue and lease receivable arising from transactions conducted in accordance with the Accounting Standards for Business Enterprises No. 21 – Lease.

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Group assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. If the credit loss of the financial instrument has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instrument at an amount in the future 12-month expected credit losses. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group has made a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

#### *10.2.1. Significant increase in credit risk*

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Financial instruments (Continued)

#### 10.2. Impairment of financial assets (Continued)

##### 10.2.1. Significant increase in credit risk (Continued)

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- (1) Significant changes in internal price indicators of credit risk as a result of a change in credit risk.
- (2) An actual or expected internal credit rating downgrade for the borrower.
- (3) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- (4) An actual or expected significant change in the operating results of the borrower.
- (5) A significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (6) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- (7) Changes in the Group's credit management approach in relation to the financial instrument.

Regardless of whether the credit risk has increased significantly after the above assessment, when the financial instrument contract payment has been overdue for more than 30 days (inclusive), it indicates that the credit risk of the financial instrument has increased significantly.

The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. If the risk of default on financial instrument is low, the borrower's ability to meet its contractual cash flow obligations in short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's performance of its contractual cash obligations. Then the financial instrument is considered to have a lower credit risk.

##### 10.2.2. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (1) Significant financial difficulty of the issuer or the borrower;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations.

Based on the Group's internal credit risk management, when the internally recommended or externally obtained information indicates that the financial instrument debtor is unable to fully repay the creditor including the Group (regardless of any guarantees obtained by the Group), the Group believes that the default has occurred.

Due to historical experience in cooperation between the Group and the debtor and commitments for overdue payments from the customer, the Group has not constructed that the financial instrument is impaired in case of overdue 90 days (inclusive). The Group is of the opinion that default may incur when the debtor has had the aforementioned observable data.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Financial instruments (Continued)

#### 10.2. Impairment of financial assets (Continued)

##### 10.2.3. Recognition of expected credit losses

The Group recognizes the credit loss on lease receivable on an individual basis, and recognizes the credit loss on related financial instruments of accounts receivable with impairment matrix on a collective basis. The Group can group financial instruments on the basis of shared credit risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to, the instrument type; credit risk ratings; date of initial recognition.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For financial assets, a credit loss is the present value of the difference between: (a) The contractual cash flows that are due to the Group under the contract; and (b) the cash flows that the Group expects to receive.
- For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Group shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

##### 10.2.4. Written-off of financial assets

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

#### 10.3. Transfer of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability. Relevant liabilities are measured using the following methods:

- If the transferred financial asset is measured at amortized cost, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the amortized cost of the rights retained by the Group (if the Group retains rights for the transfer of the financial asset) plus the amortized cost of the obligations undertaken by the Group (if the Group undertakes relevant obligations for the transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Financial instruments (Continued)

#### 10.3. Transfer of financial assets (Continued)

- If the transferred financial asset is measured at fair value, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the fair value of the rights retained by the Group (if the Group retains rights for the transfer of the financial asset) plus the fair value of the obligations undertaken by the Group (if the Group undertakes relevant obligations for the transfer of the financial asset), and the fair value of the rights and liabilities is measured on a stand-alone basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial assets classified as at amortized cost and financial assets at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and accumulated amount originally recognized in changes in fair value of other comprehensive income is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) 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; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

#### 10.4. Classification and measurement of financial liabilities and equity instrument

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

##### 10.4.1 Classification and measurement of financial liabilities

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

All financial liabilities held by the Group are other financial liabilities.

##### 10.4.1.1. Other financial liabilities

Other financial liabilities, other than financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets, financial guarantee contracts, are classified as financial liabilities subsequently measured at amortized cost, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Financial instruments (Continued)

#### 10.4. Classification and measurement of financial liabilities and equity instrument (Continued)

##### 10.4.1 *Classification and measurement of financial liabilities (Continued)*

###### 10.4.1.2. Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder suffering losses in case the specific debtor fails to settle the debt in accordance with the initial or revised terms of debt instrument when the debt falls due. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (i) amount of loss allowance; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with related terms of Standards for Revenue.

##### 10.4.2 *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 debtor) 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.

##### 10.4.3. *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The issuance (including refinance), repurchase, selling or cancellation of these instruments are treated as change in equity. The enterprise should not recognize changes in the fair value of the equity instruments. The related transaction costs are deducted from equity.

Distributions to holders of an equity instrument shall be recognized by the Group directly in equity.

#### 10.5. Offsetting a financial asset and a financial liability

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 11. Notes receivable and receivables

11.1 Recognition method and accounting treatment of expected credit losses of notes receivable:

The Group holds that the acceptance bank of bank acceptances held by the Group has relatively high credit rating with no significant credit risk and no impairment allowance has been made.

11.2 Recognition method and accounting treatment of expected credit losses of accounts receivable:

The Group makes a loss allowance against amount of expected credit losses during the whole life of the accounts receivable arising from transactions adopting New Standards for Revenue. The Group recognizes the credit losses of accounts receivable with impairment matrix on a collective basis. The Group groups accounts receivable on the basis of shared credit risk characteristics. Shared credit risk characteristics may include, but are not limited to, the:

- (a) Instrument type;
- (b) Credit risk ratings;
- (c) Date of initial recognition;
- (d) Remaining term to maturity;
- (e) Industry of the borrower;
- (f) Geographical location of the borrower; and

As part of the Group's credit risk management, the Group conducts internal credit ratings with respect to customers, and determines expected loss ratio for different level of accounts receivables. As at the balance sheet date, the Group determines the provision for expected credit loss of accounts receivable using impairment matrix.

The credit risk and expected credit loss ratio for the customer's account receivable are as follows:

Internal credit ratings	Lifetime expected credit loss ratio	Lifetime expected credit loss ratio
	(not credit-impaired)	(credit-impaired)
Level 1: Low risk	0%	N/A
Level 2: Normal	2%	N/A
Level 3: Loss	N/A	100%

Increase in or reversal of credit loss allowance is included in profit or loss as impairment gain or loss. The Group shall directly reduce the gross carrying amount of such account receivable when the Group has no reasonable expectations of recovering contractual cash flows of the account receivable in its entirety or a portion thereof.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 12. Other receivables

Recognition method and accounting treatment of expected credit losses of other receivables:

The Group determines expected credits losses based on internal ratings with respect to other receivables according to the following methods:

Internal credit ratings	12-month ECL expected credit loss ratio	Lifetime expected credit loss ratio (not credit-impaired))	Lifetime expected credit loss ratio (credit-impaired)
Level 1: Low Risk	0%	1%	N/A
Level 2: Normal	2%	10%	N/A
Level 3: Loss	N/A	N/A	100%

Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. The Group shall directly reduce the gross carrying amount of such other receivables when the Group has no reasonable expectations of recovering an account receivable in its entirety or a portion thereof.

### 13. Inventories

#### 13.1 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.

#### 13.2 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.

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

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

#### 13.4 Inventory count system

The perpetual inventory system is maintained for stock system.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 13. Inventories (Continued)

#### 13.5. Amortization method for low value and short-lived consumable items

Low value and short-lived consumable items are amortised using the immediate write-off method.

### 14. Long-term equity investments

#### 14.1 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.

#### 14.2 Determination of initial 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 recognized 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 (ASBE No. 22) and the additional investment cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

#### 14.3 Subsequent measurement and recognition of profit or loss

##### 14.3.1 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 recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

##### 14.3.2 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 recognized 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 recognizes 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 recognizes 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 recognize 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, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

#### 14.4 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

### 15. Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a 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 recognized in profit or loss in the period in which they are incurred.

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

An investment property is derecognized upon or when the investment property is permanently withdrawn from use and no economic benefits are expected from the disposal.

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

### 16. Fixed assets

#### 16.1 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.

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 2018



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

### 16. Fixed assets (Continued)

#### 16.2 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.

#### 16.2.1 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.

### 17. Construction in progress

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

### 19. 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 amortized 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 right to operate the road is amortized in accordance with the traffic flow method, and the monthly amortization amount is calculated by the ratio of the actual traffic flow of the month to the sum of the actual traffic flow of the month and the estimated future traffic flow. 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. 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 2018



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

### 20. Impairment of long-term assets

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 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 recognized in profit or loss for the period.

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

### 21. Long-term prepaid expenses

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

### 22. Employee benefits

#### 22.1 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.

#### 22.2 Accounting method for post-employment benefits

Post-employment benefits are all defined contribution plans.

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.

#### 22.3 Accounting method for termination benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 23. Provisions

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.

### 24. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract assets and contract liabilities under a common contract is presented as net amount.

### 25. Revenue

The Group has adopted the following accounting policies since 1 January 2018 ("New Standards for Revenue"):

Revenue of the Group is mainly from the following business:

(1) Toll road income

Toll road income is the income from operating toll roads, and is recognised in accordance with the amount collected and receivable when a vehicle is passing through.

(2) Ancillary service income

Ancillary service income is mainly from petroleum products, and is recognised when refueling services are provided and the amount can be reliably measured.

(3) Income from other business, such as trouble shooting and advertisement

Income from other business such as troubleshooting and advertisement is recognised when the service has been performed, the amount of the obligation can be measured reliably and it is probable that the associated economic benefits will flow to the enterprise.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 25. Revenue (Continued)

- (4) Income from real estate development (Continued)

*As specified in the contract, income from real estate development is recognised after the related property procedures are completed are completed and transferred to the customer*

The Group shall recognize revenue based on transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. Performance obligation is a commitment that the Group transfers a distinct good or service to a customer in the contract. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Group recognizes revenue at the time points when the customer obtains the ownership of related products or service.

For performance obligations satisfied during a period of time, the Group will recognize revenue according to progress of performance within such period. The Group adopts the output method to determine the progress of performance according to the value of products or services transferred to customers. When the performance progress cannot be reliably determined and the incurred cost can be expected to be made up, revenue is recognized according to incurred cost until the performance progress can be reasonably determined.

*A significant financing component*

In case of the existence of a significant financing component in the contract, the Group shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group would not consider the significant component in the contract.

### 26. Costs of a contract

Costs of obtaining a contract

The incremental costs of obtaining a contract (i.e. it would not have incurred if the contract had not been obtained) which are expected to be collected shall be recognize as an asset, and be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period. If the amortization period of the asset is less than one year, it will be included in profit or loss when incurred. Other expenditures incurred to obtain the contract are included in profit or loss when incurred, except for expenditures clearly borne by the customer.

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of other standard other than standards on revenue, the Group shall recognized an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: 1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; 2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and 3) the costs are expected to be recovered. The asset mentioned above shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 27. 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.

#### 27.1 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.

#### 27.2 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.

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

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

#### 28.1 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.

#### 28.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

#### 28.2 Deferred tax assets and deferred tax liabilities (Continued)

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

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

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

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

#### 28.3 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 realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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

### 29. 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.

#### 29.1 Accounting treatment on operating leases

##### 29.1.1 *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.

##### 29.1.2 *The Group as lessor under operating leases*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

#### New Standards for Revenue

Since 1 January 2018, the Group has implemented the “Accounting Standards for Business Enterprises No. 14 – Revenue” revised by the Ministry of Finance (“MoF”) in 2017 (hereinafter referred to as the “New Standards for Revenue”, and the Standards for Revenue before the revision is referred to as the “Original Standards for Revenue”). The New Standard for Revenue introduces a five-step approach to revenue recognition and measurement and more guidance to specific transactions (or events). Details of the Group’s accounting policies for revenue recognition and measurement are disclosed in Note III. 25. The New Standards for Revenue requires the accumulative effects on the initial implementation of the standards to adjust the retained earnings and amount of other related items in the financial statements at the beginning of the year upon initial implementation (i.e. 1 January 2018), but the data during the comparable period will not be adjusted. The Group only adjusts the cumulative effect on contracts not yet concluded on the first date of implementation upon implementation of the New Standards for Revenue.

- (1) In addition to providing disclosure of a wider range of income transactions, the impact of the implementation of the new revenue standard on the project related to the balance sheet at the beginning of the period is as follows:

RMB

Item	31 December 2017	reclassification	1 January 2018
Receipts in advance	840,007,370	(821,596,656)	<b>18,410,714</b>
Contract liabilities	–	821,596,656	<b>821,596,656</b>

- (2) Compared with the Original Standards for Revenue, the impact of the implementation of the New Standards for Revenue on the balance sheet and the income statement for the current period is as follows:

RMB

Changes in accounting policy and reasons thereof	Affected financial statement items	Affected amount increase/(decrease)
Due to the implementation of the New Standards for Revenue the Group took into account the significant financing components in the contracts when determine the transaction price and adjusted the cumulative impact of the contracts that were not yet completed.	Financial expense	26,836,440
	Contract liabilities	26,836,440
	Income expense	(6,709,110)
Due to the implementation of the New Standards for Revenue, the Group reclassified the income from properties for sales received in advance and the advertising service fee received in advance to the contract liabilities.	Deferred tax assets	6,709,110
	Receipts in advance	(962,200,983)
	Contract liabilities	962,200,983

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

#### New Standards of Financial Instruments

Since 1 January 2018, the Group has implemented the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 – Hedge Accounting, and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the “New Standards for Financial Instruments”) revised by MoF in 2017.

For classification and measurement of financial assets, the New Standards for Financial Instruments require that an entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity’s business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and-available-for-sale financial assets are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in unquoted equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be charged forward to profit or loss at disposal.

For impairment, the New Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost, financial assets at fair value through profit or loss, lease receivables and financial guarantee contract. The New Financial Instrument Standard require adoption of expected credit loss model to recognize credit loss allowance to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole lifetime according to whether the credit risks of relevant items have been significantly increased since initial recognition. For all the accounts receivable generated from transactions regulated by the revenue standard, as well as lease receivables generated from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Leases, the Group measured provision for loss in an amount which was equivalent to the lifetime expected credit losses.

For the recognition and measurement of financial instruments not in accordance with the requirements as to the New Standards for Financial Instruments before 1 January 2018, the Group makes adjustments retrospectively in accordance with the New Standards for Financial Instruments. The Group has made no adjustments to the previous comparative data prepared not in accordance with the requirements of the New Standards for Financial Instruments. The difference between the original book value of the financial instruments and the new book value at the date of implementation of the New Standards for Financial Instruments was recognized as the retained earnings or other comprehensive income as at 1 January 2018. The impact of the Group’s implementation of the New Standards for Financial Instruments on 1 January 2018 is as follows:

Item	Effect of implementation of New Standards for Financial Instruments			Book value listed at and New Standards of Financial Instruments 1 January 2018
	Book value listed at original standards 31 December 2017	Transferred from available-for-sale financial assets as originally classified (Note 1)	Transferred from other current assets as originally classified (Note 2)	
Other current assets	557,742,656		491,380,000	66,362,656
Held-for-trading financial assets	38,871,811		(491,380,000)	530,251,811
Available-for-sale financial assets	2,329,877,191	(2,329,877,191)	-	-
Investments in other equity instruments	-	1,671,818,457	-	1,671,818,457
Other non-current financial assets	-	658,058,734	-	658,058,734

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

#### New Standards of Financial Instruments (Continued)

*Note 1:* Transferred from available-for-sale financial assets originally classified.

Transfer from available-for-sale financial assets to other equity investment items

As at 1 January 2018, available for sale financial assets of RMB1,671,818,457 are reclassified to other equity investment items and this portion of investment belongs to non-tradable equity instrument investment, and the Group is not expected to dispose of them in the foreseeable future.

Transfer from available-for-sale financial assets to other non-current financial assets items.

As at 1 January 2018, available-for-sale financial assets of RMB658,058,734 were reclassified to other non-current financial assets items. Such available for sale financial assets are equity instrument investments whose quotes from active markets are unavailable and whose fair values cannot be reliably measured, and the measurement for prior periods are measured at cost under the Original Standards for Financial Instruments. As at 1 January 2018, there was no significant difference between such equity investment measured at fair value and at original cost.

*Note 2:* Transfer from other current assets as originally classified

As at 1 January 2018, financial products were reclassified to financial assets at fair value through profit and loss.

*Note 3:* As at 1 January 2018, the Group considered that there were no significant changes in the difference between items classified as financial assets measured at amortized cost recognized in accordance with loss provisions under the Original Standards for Financial Instruments and recognized in accordance with credit loss provisions under the New Standards for Financial Instruments.

As at 1 January 2018, the effect of initial implementation of New Standards for Revenue and New Standards for Financial Instruments on the Group's assets, liabilities and owner's equity are summarized as follows:

Item	31 December 2017	Effects of the New Standards for Revenue	Effect of the New Standards for Financial Instruments	1 January 2018
Other current assets	557,742,656		(491,380,000)	<b>66,362,656</b>
Held-for-trading financial assets	38,871,811		491,380,000	<b>530,251,811</b>
Available-for-sale financial assets	2,329,877,191	-	(2,329,877,191)	-
Investments in other equity instruments	-	-	1,671,818,457	<b>1,671,818,457</b>
Other non-current financial assets	-	-	658,058,734	<b>658,058,734</b>
Receipts in advance	840,007,370	(821,596,656)	-	<b>18,410,714</b>
Contract liabilities	-	821,596,656	-	<b>821,596,656</b>

#### Format of financial statements for general business enterprise

The Company followed the "Circular on the Revision and Publication of the Format of the Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15) (the "Cai Kuai No. 15 Document") promulgated by the MoF on 15 June 2018 in the preparation of financial statements for 2018. Cai Kuai No.15 Document contained the amendments to the presented items in a balance sheet and an income statement by the addition of "Notes and Accounts Receivable", "Notes and Accounts Payable" and "Research and Development Expenses", as well as announced the revision of the presented contents of the items "Other Receivables", "Fixed Assets", "Construction in Progress", "Other Payables", "Long-term Payables" and "Administrative Expenses", deletion of the items "Notes Receivable", "Accounts Receivable", "Dividends Receivable", "Interest Receivable", "Disposal of Fixed Assets", "Construction Materials", "Notes Payable", "Accounts Payable", "Interest Payable", "Dividends Payable" and "Special Payables", addition of the sub-items". Of which: Interest Expenses" and "Interest Income" under "Financial Expenses", and adjustment of where certain items should be presented in the income statement. In respect of the above changes of presented items, the Company has adopted retrospective application to make accounting treatment and adjusted comparable data retrospectively with reference to last year.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

Format of financial statements for general business enterprise (Continued)

As at 1 January 2018, the effect of initial implementation of New Standards for Revenue and New Standards of Financial Instruments on the Group's financial statement using the format for general business enterprise:

Item	1 January 2018
<b>Assets</b>	<b>42,532,491,238</b>
<b>Current Assets:</b>	<b>4,602,482,928</b>
Cash and bank balances	269,357,751
Held-for-trading financial assets	530,251,811
Notes receivable and accounts receivable	309,247,630
Prepayments	10,200,712
Other receivables	106,256,683
Inventories	3,010,805,685
Non-current assets due within one year	300,000,000
Other current assets	66,362,656
<b>Non-current Assets:</b>	<b>37,930,008,310</b>
Investments in other equity instruments	1,671,818,457
Other non-current financial assets	658,058,734
Long-term equity investments	5,123,326,114
Investment properties	20,019,608
Fixed assets	1,740,197,103
Construction in progress	8,294,639,339
Intangible assets	19,962,642,227
Long-term prepaid expenses	1,069,666
Deferred tax assets	258,020,384
Other non-current assets	200,216,678
<b>Liabilities</b>	<b>16,637,560,626</b>
<b>Current Liabilities:</b>	<b>8,723,608,612</b>
Short-term borrowings	3,599,000,000
Notes payable and accounts payable	921,349,151
Receipts in advance	18,410,714
Contract liabilities	821,596,656
Employee benefits payable	3,636,736
Taxes payable	275,210,217
Other payables	217,363,761
Non-current liabilities due within one year	623,841,375
Other current liabilities	2,243,200,002
<b>Non-current Liabilities:</b>	<b>7,913,952,014</b>
Long-term borrowings	3,874,089,201
Bonds payable	3,970,157,835
Deferred income	33,638,147
Provisions	8,010,000
Deferred tax liabilities	28,056,831
<b>Shareholders' Equity</b>	<b>25,894,930,612</b>
Share capital	5,037,747,500
Capital reserve	10,428,388,235
Other comprehensive income	380,908,923
Surplus reserve	3,273,492,299
Retained profits	4,399,747,006
Minority interests	2,374,646,649

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 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 recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

### – Key assumptions and uncertainties in accounting estimates

#### Amortization of toll road operation rights

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

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

#### Estimated impairment of toll road operation rights

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

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

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

#### Deferred tax assets

The benefit of the deferred tax assets may depend on the future taxable profits and the expected tax rate when associated deductible temporary differences is realized. 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, 17.

#### Measurement and valuation procedures of fair value

In estimating the fair value of the Group's financial assets and financial liabilities, the Group adapts the market observable data available to determine the fair value. If there is no input value at level 1, the management assesses the fair value of the financial instrument based on the discounted cash flow or the transaction price of the over-the-counter market. At the end of the reporting period, the management will establish a pricing model based on the historical experience using appropriate valuation technology and input values. If there is a significant change in fair value, the reason for the fluctuation will be reported to the board of directors of the Company. The valuation techniques, input value and key assumptions used in determining the fair value of the Group's financial assets and liabilities are disclosed in Note X.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 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 other than those determined by using simple taxation method	17%/16% 6%
	Simple taxation method	Toll income Real estate rental income and Real estate sales income	3% 5%
Business Tax		Real estate sales income	5%
City maintenance and construction tax	Actual paid business tax and VAT		5%–7%
Educational surtax and surcharge	Actual paid business tax and VAT		3%
Local educational surtax and surcharge	Actual paid business tax and VAT		2%
Land appreciation tax	Value added of Real estate transfer		Progressive rates ranging from 30%–60%
Enterprise income tax	Taxable income		25%

### Other explanations:

According to the "Circular on Pilot Program of Full Implementation of Replacing Business Tax with Value-added Tax" (Cai Shui [2016] No. 36) issued by the Ministry of Finance and State Administration of Taxation Bureau, confirming that since 1 May 2016, the pilot program of full implementation of replacing business tax with value-added tax will be rolled out nationwide, and taxpayers in construction, real estate, financial service and lifestyle service sectors etc. will be covered in the VAT reform scope and pay VAT instead of paying business tax.

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

- Toll income: The expressways currently operated are the expressways with the commencement date before 30 April 2016, which shall be taxed by using applicable simple tax method, paying VAT at 3%.
- Food and beverage income, troubleshooting 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%.

Pursuant to the "Circular on Adjusting the Value-Added Tax Rate" (Cai Shui [2018] No. 32), issued by the MoF and the State Administration of Taxation Bureau, the Group's sales of goods has been adjusted from 17% to 16% since 1 May 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

Unit: RMB

Item	31 December 2018			31 December 2017		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash: RMB			286,177			408,466
Bank balances: RMB			490,874,933			261,404,636
HKD	839,214	0.8763	735,374	838,893	0.8359	701,238
Other monetary funds: RMB			157,865,107			6,843,411
Total			649,761,591			269,357,751

Other explanations:

Other monetary funds stated above includes security deposits for certain mortgage loans to customers RMB1,305,297, supervised advance from customers RMB133,329,373 (31 December 2017: security deposits for certain mortgage loans to customers RMB3,552,281, supervised advance from customers RMB3,046,769). According to the requirements of some local authorities (such as Nanjing, Suzhou, Jurong, Kunshan etc.) in China, real estate developers need to open supervised bank account when applying for pre-sale permit for new commercial properties. 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.

### 2. Held-for-trading financial assets

Unit: RMB

Item	31 December 2018	31 December 2017
Held-for-trading financial assets		
Including: Fund investment (Note 1)	15,081,095	22,454,653
Gold investment (Note 2)	17,006,958	16,417,158
Financial products	651,238,808	–
Total	683,326,861	38,871,811

Other explanations:

Note 1: The market price of investments above at the end of the period and related information is originated from public data of net value of related funds.

Note 2: The market price of investments above at the end of the period and related information is originated from public data of net value of related gold.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 3. Notes receivable and accounts receivable

Item	Note	31 December 2018	31 December 2017
Notes receivable	(1)	1,681,265	2,880,000
Accounts receivable	(2)	321,158,727	306,367,630
Total		322,839,992	309,247,630

#### 3.1 Notes receivable

(1) Disclosure of notes receivable by categories:

Unit: RMB

Category	31 December 2018	31 December 2017
Bank acceptances	1,681,265	2,880,000

(2) The Group has no pledged notes receivable at the end of the year.

(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.

The Group's notes receivable are accepted by Banks with high credit ratings, so notes receivable have no significant credit risks and no provision for losses are made.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 3. Notes receivable and accounts receivable (Continued)

#### 3.2 Accounts receivable

(1) Disclosure of accounts receivable by aging:

Unit: RMB

Category	31 December 2018			
	Amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	319,525,751	99	165,066	319,360,685
More than 1 year but not exceeding 2 years	79,678	-	-	79,678
More than 2 years but not exceeding 3 years	1,753,432	-	35,068	1,718,364
More than 3 years	1,699,980	1	1,699,980	-
<b>Total</b>	<b>323,058,841</b>	<b>100</b>	<b>1,900,114</b>	<b>321,158,727</b>

(2) Disclosed according to the classification of bad debt provision method:

Unit: RMB

Category	31 December 2018				
	Amount	Proportion (%)	Bad debt provision	Proportion (%)	Book value
All accounts receivable formed by transactions regulated by standards for revenue	323,058,841	100	1,900,114	100	321,158,727
<b>Total</b>	<b>323,058,841</b>	<b>100</b>	<b>1,900,114</b>	<b>100</b>	<b>321,158,727</b>

Category	31 December 2017				
	Amount	Proportion (%)	Bad debt provision	Proportion (%)	Book value
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-
Accounts receivable individually significant					
Receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics -group 1	298,431,238	96	-	-	298,431,238
Accounts receivable individually significant					
Receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics -group 2	8,098,359	3	161,967	9	7,936,392
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	-
<b>Total</b>	<b>308,229,577</b>	<b>100</b>	<b>1,861,947</b>	<b>100</b>	<b>306,367,630</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 3. Notes receivable and accounts receivable (Continued)

#### 3.2 Accounts receivable (Continued)

##### (3) Bad debt provision

Unit: RMB

Bad debt provisions	Not credit-impaired Lifetime expected credit loss	Credit-impaired Lifetime expected credit loss	Total
At 1 January 2018	161,967	1,699,980	1,861,947
Provisions	38,167	–	38,167
At 31 December 2018	200,134	1,699,980	1,900,114

##### (5) 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")	231,726,868	–	72
Jiaxing City Kaitong Investment Co., Ltd.	23,565,387	–	7
Dinuo Fangmaoshan Business Management Co., Ltd.	9,335,074	–	3
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang Company")	7,018,508	–	2
Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company")	6,595,610	–	2
Total	278,241,447	–	86

##### (6) 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 2018



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

### 4. Prepayments

(1) The aging analysis of prepayments is as follows:

Unit: RMB

Aging	31 December 2018		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	23,999,527	83	9,793,248	96
More than 1 year but not exceeding 2 years	5,060,514	17	305,464	3
More than 2 years but not exceeding 3 years	-	-	10,000	-
More than 3 years	-	-	92,000	1
<b>Total</b>	<b>29,060,041</b>	<b>100</b>	<b>10,200,712</b>	<b>100</b>

(2) Top five balances of prepayments categorized by receivers:

Unit: RMB

Name of entity	Proportion of the amount to the total prepayments (%)	
	Amount	Proportion (%)
Jiangsu Kunshan Electric Co., Ltd.	8,719,359	30
Jiangsu Expressway Information Engineering Co., Ltd.	3,000,000	10
China Construction Eighth Engineering Division Corp. Ltd.	2,727,273	9
Suzhou Water Supply Co., Ltd.	2,439,600	8
Jiangsu Electric Power Wuxi Power Supply Company	1,001,207	3
<b>Total</b>	<b>17,887,439</b>	<b>60</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 5. Other receivables

Item	Note	31 December 2018	31 December 2017
Interest receivable	(1)	-	80,231,500
Dividends receivable	(2)	4,989,960	4,989,960
Others	(3)	32,843,991	21,035,223
<b>Total</b>		<b>37,833,951</b>	<b>106,256,683</b>

(1) Other receivables – interest receivable

Unit: RMB

Item	31 December 2018	31 December 2017
Interest receivable on loans to joint ventures	-	80,231,500

(2) Other receivables – dividends receivable

Unit: RMB

Item	31 December 2018	31 December 2017
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Company")	4,989,960	4,989,960

(3) Other receivables – others

(1) Disclosure of other receivables by aging:

Unit: RMB

Aging	31 December 2018			Book value
	Amount	Proportion (%)	Bad debt provision	
Within 1 year	22,618,960	46	105,056	22,513,904
More than 1 year but not exceeding 2 years	1,233,234	3	4,145	1,229,089
More than 2 years but not exceeding 3 years	9,010,664	18	-	9,010,664
More than 3 years	15,903,164	33	15,812,830	90,334
<b>Total</b>	<b>48,766,022</b>	<b>100</b>	<b>15,922,031</b>	<b>32,843,991</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 5. Other receivables (Continued)

(3) Other receivables – others (Continued)

(2) *Disclosure of other receivables by nature*

*Unit: RMB*

Nature	31 December 2018	31 December 2017
Amounts of investment clearance	15,812,140	15,812,140
Project funds borrowed in advance	12,461,079	–
Petty cash	5,047,960	5,157,559
Landlord maintenance funds	4,568,903	4,811,123
Mortgage deposits for housing fund loan	1,012,000	4,252,500
Other insignificant amounts	9,863,940	6,928,429
<b>Total</b>	<b>48,766,022</b>	<b>36,961,751</b>

(3) *Analysis of Bad debts provision*

*Unit: RMB*

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month expected credit losses	Lifetime expected credit loss (Not credit impaired)	Lifetime expected credit loss (Credit impaired)	
At 1 January 2018	114,388	–	15,812,140	15,926,528
Reversal	(4,497)	–	–	(4,497)
At 31 December 2018	109,891	–	15,812,140	15,922,031

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 5. Other receivables (Continued)

(3) Other receivables – others (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 (%)	31 December 2018 of bad debt provision
Jiangsu Yixing Highway Administration Department	Amount of investment clearance	15,812,140	Over 3 years	32	15,812,140
China Construction Eighth Engineering Division Corp. Ltd.	Project funds borrowed in advance	9,010,664	2 to 3 years	18	-
Nanjing Jin Zhong Jian Curtain Decoration Co., Ltd.	Project funds borrowed in advance	2,585,034	Within 1 year	5	-
Suzhou Housing Property Guarantee Co., Ltd.	Deposit	1,012,000	Within 1 year	2	-
Jiangsu Tongxingbao Smart Transportation Science & Technology Co., Ltd.	ETC customer-service network management fees receivable	734,924	Within 1 year	2	-
Total		29,154,762		59	15,812,140

### 6. Inventories

Categories of inventories

Unit: RMB

Item	31 December 2018			31 December 2017		
	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	2,522,432,284	-	2,522,432,284	1,677,529,645	-	1,677,529,645
Properties for sale	1,510,415,438	-	1,510,415,438	1,309,242,056	-	1,309,242,056
Spare parts for repair and maintenance	7,852,952	-	7,852,952	15,527,242	-	15,527,242
Petrol	4,855,102	-	4,855,102	8,506,742	-	8,506,742
Total	4,045,555,776	-	4,045,555,776	3,010,805,685	-	3,010,805,685

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 6. Inventories (Continued)

Categories of inventories (Continued)

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment	31 December 2017	31 December 2018
Baohua Hongyan Community A Project	September 2018	September 2024	2,455,800,000	311,932,670	<b>316,629,081</b>
Huaqiao Urban Core Project	December 2012	June 2023	3,089,100,000	523,619,590	<b>663,146,331</b>
Suzhou Nanmen Road G25 Project (Note 1)	October 2018	October 2020	1,146,300,000	841,977,385	<b>78,850,451</b>
Hanrui Center (Note 2)	October 2016	November 2019	1,660,000,000	-	<b>1,463,806,421</b>
<b>Total</b>			<b>8,351,200,000</b>	<b>1,677,529,645</b>	<b>2,522,432,284</b>

Note 1: For Suzhou Nanmen Road G25 Project, it is planned to build ten high-rise and small-sized high-rise residential buildings, among which eight buildings at Phase I have been completed, accepted and transferred into properties for sale in January 2018. The remaining two buildings at Phase II were still at the construction preparation stage at the end of the reporting period.

Note 2: During the reporting period, after the Company acquired the equity of Hanwei Company, the Company incorporated it as a subsidiary, and the book real estate development cost was included in the Group's consolidated financial statements accordingly. Please refer to Note VII, (1) for details.

Details of properties for sale are as follows:

Unit: RMB

Project Name	Completion date	31 December 2017	Increase	Decrease	31 December 2018
Suzhou Qingyuan	December 2013	568,373,818	-	28,154,740	<b>540,219,078</b>
Baohua Hongyan Community B1 Tongchengshijia Project	April 2014	114,159,768	-	7,125,295	<b>107,034,473</b>
Baohua Hongyan Community B2 Tongchengshijia Project	November 2016	294,754,789	-	72,140,968	<b>222,613,821</b>
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion Project	August 2012	11,573,341	-	-	<b>11,573,341</b>
Huaqiao Urban Core C7 Pujiang Building Project	June 2014	252,179,129	-	-	<b>252,179,129</b>
Huaqiao Urban Core B4 Guangmingjiezuo Project	June 2015	45,335,759	-	1,670,975	<b>43,664,784</b>
Huaqiao Urban Core B19 Guangmingxinzuo Project	December 2016	22,865,452	-	4,324,445	<b>18,541,007</b>
Suzhou Nanmen Road G25 Project - Phase I	January 2018	-	789,984,814	475,395,009	<b>314,589,805</b>
<b>Total</b>		<b>1,309,242,056</b>	<b>789,984,814</b>	<b>588,811,432</b>	<b>1,510,415,438</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 6. Inventories (Continued)

Categories of inventories (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	Preparing for construction	October 2022
Baohua Hongyan Community A2 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Preparing for construction	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 commenced	June 2023
Huaqiao Urban Core C7 Pujiang Building Project, No. 1 Building	Kunshan Huaqiao business core area	Service apartment	100	Under decoration	October 2019
Suzhou Nanmen Road G25 Project Phase II Hanrui Center	Suzhou Nanmen Road	House	100	Preparing for construction	October 2020
	Nanjing Yuhuatai District Dingqiang Road Mingfa Business Plaza east side	Business, office, service apartment	100	Main body under construction	November 2019

Detailed information of properties held 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, No. 2, No. 3 and No. 4 Building	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 Guangmingxinzuo Project	Kunshan Huaqiao business core area	House	100	Completed	December 2016
Suzhou Nanmen Road G25 Project - Phase I	Suzhou Nanmen Road	House	100	Completed	January 2018

### 7. Non-current assets due within one year

Unit: RMB

Item	31 December 2018	31 December 2017
Loans to joint ventures due within one year	–	300,000,000
Total	–	300,000,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 8. Other current assets

Unit: RMB

Item	31 December 2018	31 December 2017
Available-for-sale financial assets- financial products	-	491,380,000
Enterprise income tax in advance	-	-
Prepaid taxes and levies related to pre-sale of real estate	97,094,347	62,533,217
Prepaid VAT	33,561,824	3,829,439
Others	-	-
<b>Total</b>	<b>130,656,171</b>	<b>557,742,656</b>

### 9. Investments in other equity instruments

#### (1) Investments in other equity instruments

Item	31 December 2018	31 December 2017
Investments in other equity instruments Measured at fair value	3,035,293,680	-
<b>Total</b>	<b>3,035,293,680</b>	<b>-</b>

#### (2) Changes in non-tradable investments in other equity instruments.

Unit: RMB

Investee	Dividend income recognized in the current period	Cumulative gain	Reasons for those designated as at FVTOCI
Unlisted companies Shenzhen Ruijin Co., Ltd.	-	1,678,400	Non-tradable equity instrument investment
Listed Companies Bank of Jiangsu (Note 1)	36,000,000	73,153,680	Non-tradable equity instrument investment
Jiangsu Financial Leasing (Note 2)	28,080,000	831,241,543	Non-tradable equity instrument investment
<b>Total</b>	<b>64,080,000</b>	<b>906,073,623</b>	

Note 1: It is a restricted outstanding shares of A-share listed company Bank of Jiangsu Co., Ltd. held by the Group. Bank of Jiangsu was listed in 2016, the Group designated it as a financial asset measured at fair value through other comprehensive income ("FVTOCI"), and subsequent changes in fair values are included in other comprehensive income.

Note 2: It is a restricted outstanding shares of A-share listed companies Jiangsu Financial Leasing Co., Ltd. held by the Group. Jiangsu Leasing was listed in 2018, the Group designated it as a financial asset measured at fair value through other comprehensive income ("FVTOCI"), and subsequent changes in fair values are included in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 10. Other non-current financial assets

#### (1) Other non-current financial assets

Item	31 December 2018	31 December 2017
Other non-current financial assets		
Measured at FVTPL	<b>1,111,415,422</b>	-
Equity interest investment in partnerships (Note)		
Suzhou Industrial Park Guochuang Kaiyuan Phase II Investment Center LLP	<b>933,328,470</b>	-
Nanjing Luode Dening Real Estate Investment LLP	<b>178,086,952</b>	-
<b>Total</b>	<b>1,111,415,422</b>	-

Note: The equity investment in the limited partnership invested by the Group. Under the limited partnership agreement, the Group participates as a limited partner and has no control, joint control and significant influence on the daily operation and decision-making of the related partnership. Therefore, equity investment in the Partnership is measured fair value. The subsequent changes in its fair value are included in the current profits and losses.

### 11. Long-term equity investments

#### (1) Long-term equity investments

Unit: RMB

Investee (Note/)	Changes in the current year									31 December 2018	31 December 2018 of impairment loss
	1 January 2018	Increase	Decrease	Investment profit or loss under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses	Others		
Joint ventures											
("Hanwei Company") (Note 2)	-	-	-	-	-	-	-	-	-	-	-
Associates											
Kualu Co., Ltd.	58,365,294	-	-	(1,016,452)	-	-	-	-	-	57,348,842	-
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	1,247,092,181	-	-	174,892,479	155,637,001	-	(68,380,279)	-	-	1,509,241,382	-
Sujahang Company	1,160,143,798	-	-	199,095,838	-	-	(47,353,500)	-	-	1,311,886,136	-
Suzhou Sujijayong Expressway Co., Ltd. ("Sujijayong Company")	418,458,779	-	-	(10,628,060)	-	-	-	-	-	407,830,719	-
Jiangsu Xiexin Ninghu Gas Co., Ltd. ("Xiexin Ninghu Company")	11,304,128	-	-	56,013	-	-	-	-	-	11,360,141	-
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	171,213,840	-	-	1,031,243	-	-	-	-	-	172,245,083	-
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Company")	2,010,350,606	-	-	187,728,795	-	-	(80,888,540)	-	-	2,117,190,861	-
Jiangsu Luode Fund Investment Fund Management Co., Ltd. ("Luode Fund Company")	13,875,921	-	-	5,697,396	-	-	-	-	-	19,573,317	-
Xiandi ROB Company	32,521,567	-	-	15,241,418	-	-	-	-	-	47,762,985	-
Jiangsu Expressway Network Toll Technology Service Co., Ltd.	-	-	-	4,614,747	-	-	-	-	20,920,000	25,534,747	-
Jiangsu Communication Culture and Media Co., Ltd. ("Media Company") (Note 3)	-	24,000,000	-	(1,520,177)	-	-	-	-	-	22,479,823	-
<b>Total</b>	<b>5,123,326,114</b>	<b>24,000,000</b>	<b>-</b>	<b>575,193,240</b>	<b>155,637,001</b>	<b>-</b>	<b>(196,622,319)</b>	<b>-</b>	<b>20,920,000</b>	<b>5,702,454,036</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

(2) Other explanations:

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

*Note 2:* Pursuant to resolution of the 22nd session of the eighth meeting of the Board of Directors of the Company on 19 March 2018, the Company acquired 30% equity interest in the joint venture Hanwei Company at the consideration of RMB184 million. After the acquisition, Hanwei Company has become the Company's wholly-owned subsidiary. Hanwei Company has completed formalities of changes in commerce and industry registration on 12 April 2018. The Company combines Hanwei Company in accordance with standards of business combination not under common control taking 12 April as the acquisition date.

*Note 3:* Pursuant to resolution of the 25th session of the eighth meeting of the Board of Directors of the Company on 4 June 2018, the Company and holding shareholders Jiangsu Communications Holding Co., Ltd., Jiangsu Jinghu Expressway Co., Ltd., Jiangsu East Expressway Operation Management Co., Ltd. and Jiangsu East Road & Bridge Construction Maintenance Co., Ltd. jointly invested to establish Jiangsu Communications Culture and Media Co., Ltd. ("Media Company"), with registered capital of RMB200 million. The Company invested RMB60 million with initial investment of RMB24 million, accounting for 30% equity interest. In August 2018, Media Company introduced strategic shareholder Jiangsu Xinhua Daily Media Group Co., Ltd. ("Xinhua Media"), and Xinhua Media increased capital of RMB68 million; all original shareholders of Media Company agreed to waive the pre-emption right to purchase for this capital increase. After capital increase of Media Company, the registered capital increased from RMB200 million to RMB268 million, accounting for 22.39% of equity interest. Each shareholder of a Media Company sends a director to the board of directors, and another chairman is appointed by the controlling shareholder.

### 12. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
I. Total original carrying amount	
1. 31 December 2017	25,079,440
2. Increase in the current year	-
(1) Transferred from fixed assets	-
3. Decrease in the current year	-
4. 31 December 2018	25,079,440
II. Total accumulated depreciation and amortization	
1. 31 December 2017	5,059,832
2. Increase in the current year	812,575
(1) Amount accrued or amortized	812,575
(2) Transferred from fixed assets	-
3. Decrease in the current year	-
4. 31 December 2018	5,872,407
III. Total provision for impairment losses	
1. 31 December 2017	-
2. Increase in the current year	-
3. Decrease in the current year	-
4. 31 December 2018	-
IV. Total net book value of investment properties	
1. 31 December 2018	19,207,033
2. 31 December 2017	20,019,608



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 12. Investment properties (Continued)

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

Name	Address	Purpose	Term of lease
Kunshan Huijie office building A, B floor stores and 5 offices	Kunshan People's South Road No. 888	Commercial	Medium-term

### 13. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Fixed assets								Total
	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	
I. Total original carrying amount									
1. 31 December 2017	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
2. Increase in the current year	98,984,213	57,581,881	17,256,146	24,111,734	76,913,076	10,926,376	3,091,536	4,539,576	293,404,538
(1) Increase due to business combinations	-	-	-	-	-	85,846	-	3,502	89,348
(2) Purchase	6,714,200	7,104,972	7,164,309	3,853,792	28,427,385	7,635,507	2,896,161	4,145,228	67,941,534
(3) Transferred from construction in progress	92,270,013	50,476,909	10,091,837	20,257,942	48,485,711	3,205,023	195,375	390,846	225,373,656
3. Decrease in the current year	18,072,996	450,911	10,815,308	15,317,700	28,433,218	6,628,708	19,011,203	1,706,653	100,436,697
(1) Disposal or retirement	18,072,996	450,911	10,815,308	15,317,700	28,433,218	6,628,708	19,011,203	1,706,653	100,436,697
(2) Transferred to investment properties	-	-	-	-	-	-	-	-	-
4. 31 December 2018	1,982,351,541	918,473,555	520,844,793	430,277,001	569,883,663	67,363,492	60,939,339	43,019,850	4,593,153,234
II. Total accumulated depreciation									
1. 31 December 2017	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
2. Increase in the current year	79,858,810	15,193,177	34,404,398	32,602,240	22,783,187	6,974,903	6,955,656	2,993,350	201,765,721
(1) Provision	79,858,810	15,193,177	34,404,398	32,602,240	22,783,187	6,974,903	6,955,656	2,993,350	201,765,721
3. Decrease in the current year	9,914,694	438,584	10,300,259	13,317,455	24,642,089	5,619,381	16,945,320	1,556,318	82,734,100
(1) Disposal or retirement	9,914,694	438,584	10,300,259	13,317,455	24,642,089	5,619,381	16,945,320	1,556,318	82,734,100
(2) Transferred to investment properties	-	-	-	-	-	-	-	-	-
4. 31 December 2018	870,577,250	767,118,697	358,557,643	284,722,713	380,014,260	43,381,346	42,851,508	31,796,494	2,779,019,911
III. Total provision for impairment losses									
1. 31 December 2017	-	-	-	-	-	-	-	-	-
2. Increase in the current year	-	-	-	-	-	-	-	-	-
3. Decrease in the current year	-	-	-	-	-	-	-	-	-
4. 31 December 2018	-	-	-	-	-	-	-	-	-
IV. Total net book value of fixed assets									
1. 31 December 2018	1,111,774,291	151,354,858	162,287,150	145,554,288	189,869,403	23,982,146	18,087,831	11,223,356	1,814,133,323
2. 31 December 2017	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) Fixed assets leased out under operating leases

Unit: RMB

Item	31 December 2018	31 December 2017
Buildings	169,024,781	140,170,360

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## 13. 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	6,205,141	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Kunshan toll station	5,987,758	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Huaqiao toll station	7,434,430	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Xuejia toll station	8,593,757	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	19,055,890	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,388,319	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	2,385,468	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	834,460	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	38,478,102	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway South Network Centre and project management center houses	17,091,839	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	21,995,203	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Wuxi airport toll station	4,067,775	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Heyang roll station	2,374,826	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Zhenjiang toll station	8,572,585	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	1,158,460	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	10,308,379	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Nanjing toll station	876,738	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Tangshan toll station	288,454	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	334,349	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jurong toll station	11,341,192	Incorporated into communication facilities and cannot obtain certification at present
Guangjing Expressway, Xicheng Expressway service zone houses	38,039,769	Incorporated into communication facilities and cannot obtain certification at present
Xiyi Expressway roll administration and service zone houses	25,515,270	Incorporated into communication facilities and cannot obtain certification at present
Ningchang Expressway and Zhenli Expressway roll administration and service zone houses	140,135,080	Incorporated into communication facilities and cannot obtain certification at present
Total	374,463,244	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 14. Construction in progress

(1) Details of construction in progress

Unit: RMB

Project	31 December 2018			31 December 2017		
	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	3,903,885,195	-	3,903,885,195	2,499,101,552	-	2,499,101,552
Highway Project of Wufengshan Road & Railway Bridge	2,572,706,472	-	2,572,706,472	1,908,562,750	-	1,908,562,750
Construction Project of Changyi Expressway	2,057,146,967	-	2,057,146,967	1,484,729,260	-	1,484,729,260
Construction Project of Yichang Expressway	1,420,206,237	-	1,420,206,237	1,082,308,293	-	1,082,308,293
Housing projects of Toll stations and service zones	67,734,538	-	67,734,538	20,499,380	-	20,499,380
Construction Project of acoustic barrier	10,628,673	-	10,628,673	4,571,010	-	4,571,010
Three big system construction project	7,342,203	-	7,342,203	-	-	-
Field renovation of Changdang Lake	5,283,000	-	5,283,000	-	-	-
Advertising board	4,129,152	-	4,129,152	3,991,965	-	3,991,965
Purchase and installation project of toll station vehicle weighing dynamic truck scale equipment	4,079,543	-	4,079,543	7,229,997	-	7,229,997
Information project	3,816,141	-	3,816,141	3,872,707	-	3,872,707
Full-line road monitoring HD renovation project	2,728,263	-	2,728,263	-	-	-
Network transmission equipment update and renovation	2,662,207	-	2,662,207	-	-	-
Construction of multi-path identification system	2,527,314	-	2,527,314	-	-	-
Hub information board addition project	2,347,640	-	2,347,640	-	-	-
Service zone monitoring HD renovation project	2,012,082	-	2,012,082	-	-	-
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Toll station monitoring renovation project	1,132,355	-	1,132,355	-	-	-
Software renovation of toll station on the border of Jiangsu and Shandong	467,239	-	467,239	-	-	-
Construction Project of Zhendan Expressway	-	-	-	1,276,478,570	-	1,276,478,570
Others	15,030,080	-	15,030,080	1,332,825	-	1,332,825
<b>Total</b>	<b>10,087,826,331</b>	<b>-</b>	<b>10,087,826,331</b>	<b>8,294,639,339</b>	<b>-</b>	<b>8,294,639,339</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 14. Construction in progress (Continued)

#### (2) Changes in significant construction in progress

Unit: RMB

Project	Budget amount	31 December 2017	Increase in current year	Transfer to fixed assets	Transfer to intangible assets	Transfer to others	31 December 2018	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	2,499,101,552	1,404,783,643	-	-	-	3,903,885,195	42	In progress	82,834,500	69,652,139	4.90	Own funds & Loans from financial institutions
Highway Project of Wufengshan Road & Railway Bridge	2,708,000,000	1,908,562,750	664,143,722	-	-	-	2,572,706,472	95	In progress	72,706,472	64,143,722	4.66	Own funds & Loans from financial institutions
Construction Project of Changyi Expressway	3,799,615,000	1,484,729,260	572,417,707	-	-	-	2,057,146,967	54	In progress	31,494,772	26,057,786	4.90	Own funds & Loans from financial institutions
Construction Project of Zhenan Expressway	1,730,260,500	1,276,478,570	453,781,992	147,068,432	1,583,192,130	-	-	100	Completed	54,051,070	26,594,737	4.90	Own funds & Loans from financial institutions
Construction Project of Yichang Expressway	3,978,702,200	1,082,308,293	337,897,944	-	-	-	1,420,206,237	36	In progress	24,029,896	20,441,326	4.90	Own funds & Loans from financial institutions
Housing projects of Toll stations and service zones	139,228,215	20,699,380	80,387,300	40,755,216	-	-	60,231,464	43	In progress	-	-	-	Own funds
Construction Project of acoustic barrier	24,200,000	4,571,010	11,118,134	5,060,471	-	-	10,628,673	44	In progress	-	-	-	Own funds
Three big system construction project	26,231,786	-	15,744,005	7,689,786	712,016	-	7,342,203	28	In progress	-	-	-	Own funds
Advertising board	10,781,520	3,991,965	3,058,234	2,921,047	-	-	4,129,152	38	In progress	-	-	-	Own funds
Purchase and installation project of toll station vehicle weighing dynamic truck scale equipment	12,000,000	7,229,997	-	3,150,454	-	-	4,079,543	34	In progress	-	-	-	Own funds
Field renovation of Changdang Lake	6,500,000	-	5,283,000	-	-	-	5,283,000	81	In progress	-	-	-	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	-	1,961,030	78	In progress	-	-	-	Own funds
Vehicle scale (phase II)	7,863,000	529,574	7,423,254	7,952,828	-	-	-	100	Completed	-	-	-	Own funds
Software renovation of toll station on the border of Jiangsu and Shandong	640,000	-	467,239	-	-	-	467,239	73	In progress	-	-	-	Own funds
Others	86,615,748	4,575,958	47,408,412	10,775,422	1,448,792	-	39,759,156	46	In progress	-	-	-	Own funds
<b>Total</b>		8,294,639,339	3,603,914,586	225,373,656	1,585,353,938	-	10,087,826,331						

(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 2018



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

### 15. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
I. Total original carrying amount				
1. 31 December 2017	30,049,328,626	1,744,161,676	59,489,442	31,852,979,744
2. Increase in the current year	1,583,192,130	-	3,045,439	1,586,237,569
(1) Increase due to business combinations	-	-	14,245	14,245
(2) Purchase	-	-	869,386	869,386
(3) Transferred from construction in progress	1,583,192,130	-	2,161,808	1,585,353,938
3. Decrease in the current year	6,086,365	-	-	6,086,365
(1) Other decreases (Note)	6,086,365	-	-	6,086,365
4. 31 December 2018	31,626,434,391	1,744,161,676	62,534,881	33,433,130,948
II. Total accumulated amortization				
1. 31 December 2017	10,493,978,769	1,153,843,978	24,777,246	11,672,599,993
2. Increase in the current year	1,185,868,451	64,658,223	12,211,128	1,262,737,802
(1) Provision	1,185,868,451	64,658,223	12,211,128	1,262,737,802
3. Decrease in the current year	-	-	-	-
(1) Disposal	-	-	-	-
4. 31 December 2018	11,679,847,220	1,218,502,201	36,988,374	12,935,373,795
III. Provision for impairment losses				
1. 31 December 2017	217,737,524	-	-	217,737,524
2. Increase in the current year	-	-	-	-
3. Decrease in the current year	-	-	-	-
4. 31 December 2018	217,737,524	-	-	217,737,524
IV. Total net book value of intangible assets				
31 December 2018	19,728,849,647	525,659,475	25,546,507	20,280,055,629
31 December 2017	19,337,612,333	590,317,698	34,712,196	19,962,642,227

Note: The decrease of the intangible assets is the adjustment of the final accounts for the completion of the Jingjiang interoperability reconstruction project of the subsidiary Guangjing Xicheng Company. The Jingjiang interchange reconstruction project was put into operation in March 2017 and completed the final accounts in February 2018. According to the final accounts, Guangjing Xicheng Company adjusted the original value of the Jingjiang interchange renovation project.

### 16. Long-term prepaid expenses

Unit: RMB

Item	31 December 2017	Increase in the year	Amortization for the year	Other Decrease	31 December 2018
Decorations for buildings	1,069,666	1,557,570	973,091	-	1,654,145

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

(1) Deferred tax assets that are not offset

Unit: RMB

Item	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	235,559,669	58,889,917	235,525,999	58,881,500
Unrealized profits through internal transactions	311,199,377	77,799,844	321,867,063	80,466,766
Deductible losses	71,257,941	17,814,485	624,354,212	156,088,553
Pre-sale real estate	215,155,529	53,788,882	84,114,341	21,028,585
Accrued project management fee	9,988,822	2,497,206	–	–
Provisions	461,700	115,425	8,010,000	2,002,500
Difference between tax policies and that under accounting policies for service zone lease income	19,379,060	4,844,765	37,144,767	9,286,192
<b>Total</b>	<b>863,002,098</b>	<b>215,750,524</b>	<b>1,311,016,382</b>	<b>327,754,096</b>

#### 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	31 December 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for held-for-trading financial assets	6,378,415	1,594,604	13,162,173	3,290,543
Changes in fair values for other equity instruments investment	904,395,223	226,098,805	378,000,000	94,500,000
Changes in fair values for other non-current financial assets	165,083,107	41,270,777	–	–
<b>Total</b>	<b>1,075,856,745</b>	<b>268,964,186</b>	<b>391,162,173</b>	<b>97,790,543</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 17. 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	18,303,465	197,447,059	69,733,712	258,020,384
Deferred tax liabilities	18,303,465	250,660,721	69,733,712	28,056,831

(4) Detailed information of unrecognized deferred tax assets

Unit: RMB

Item	31 December 2018	31 December 2017
Deductible losses	20,333,192	–
Total	20,333,192	–

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

Unit: RMB

Item	31 December 2018	31 December 2017
2019	–	–
2020	–	–
2021	–	–
2022	–	–
2023	20,333,192	–
Total	20,333,192	–

### 18. Other non-current assets

Unit: RMB

Item	31 December 2018	31 December 2017
Loans to joint ventures	–	489,000,000
Less: loans to joint ventures due within one year (Note VI 7)	–	300,000,000
Loans to joint ventures due after one year	–	189,000,000
Apartment procurement for talents	14,207,792	11,216,678
Total	14,207,792	200,216,678

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 19. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	31 December 2018	31 December 2017
Bank loans	630,000,000	2,419,000,000
Including: Unsecured loans	570,000,000	2,259,000,000
Entrusted loans (Note 1)	60,000,000	160,000,000
Non-bank financial institutions loans	950,000,000	1,180,000,000
Including: Unsecured loans	950,000,000	780,000,000
Entrusted loans	-	400,000,000
<b>Total</b>	<b>1,580,000,000</b>	<b>3,599,000,000</b>

(2) Explanation for short-term borrowings:

Note 1: Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company"), a fellow related company under Jiangsu Communications Holding Co., Ltd. through the finance company of the Group on 28 August 2018, for which the principal amount is RMB120,000,000, annual interest rate 4.35%, and duration period 1 year. RMB 60,000,000 was repaid for the period and the balance was RMB60,000,000.

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

### 20. Notes payable and accounts payable

(1) Details of accounts payable are as follows

Unit: RMB

Item	31 December 2018	31 December 2017
Construction payable	544,016,630	353,411,380
Construction payable for real estate project	363,766,073	394,077,716
Purchase of petroleum payable	11,980,779	40,425,661
Toll road fee payable	40,988,472	49,968,715
Deposit payable for rent	58,930,661	36,358,086
Others	70,924,705	47,107,593
<b>Total</b>	<b>1,090,607,320</b>	<b>921,349,151</b>

(2) The aging analysis of accounts payable according to invoice date (close to posting date):

Unit: RMB

Item	31 December 2018	31 December 2017
Within 1 year	793,933,626	636,901,076
More than 1 year but not exceeding 2 years	183,051,225	232,454,423
More than 2 years but not exceeding 3 years	77,563,871	30,112,412
More than 3 years	36,058,598	21,881,240
<b>Total</b>	<b>1,090,607,320</b>	<b>921,349,151</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 20. Notes payable and accounts payable (Continued)

(3) Significant accounts payable aging more than one year in the 31 December 2018:

Unit: RMB

Item	31 December 2018	Reasons for outstanding or not carrying forward
Construction payable for real estate project	124,207,792	Long settlement procedure of the real estate project
Construction payable	81,384,396	Long settlement procedure of the project
Margin payable	41,907,015	Service zone lease margin
Bonds underwriting expenses payable	6,500,000	MTN underwriting expenses
Total	253,999,203	

### 21. Receipts in advance

(1) Receipts in advance are shown as follows:

Unit: RMB

Item	31 December 2018	31 December 2017
Rental deposit received in advance	14,195,127	16,787,613
The transfer payment of Ninglian road operating rights received in advance	57,700,000	-
Others	1,559,768	1,623,101
Advertising release fee in advance	-	13,422,192
Sales of property in advance	-	808,174,464
Total	73,454,895	840,007,370

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	31 December 2018		31 December 2017	
	RMB	%	RMB	%
Within 1 year	73,454,895	100	149,557,099	18
More than 1 year but not exceeding 2 years	-	-	531,702,143	63
More than 2 years but not exceeding 3 years	-	-	158,668,128	19
More than 3 years	-	-	80,000	-
Total	73,454,895	100	840,007,370	100

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 21. Receipts in advance (Continued)

(1) Receipts in advance are shown as follows: (Continued)

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

Unit: RMB

Project	31 December 2017	31 December 2018	Completion date	Proportion of advance sale (%)
Baohua Hongyan Community B1 Tongchengshijia Project	7,329,900	-	April 2014	72
Baohua Hongyan Community B2 Tongchengshijia Project	32,658,188	-	November 2016	77
Huaqiao Urban Core B4 Guangmingjiezuo Project	2,303,100	-	June 2015	97
Suzhou Qingyuan	16,580,000	-	December 2013	33
Suzhou Nanmen Road Nanmenshijia Phase 1 Project	749,303,276	-	January 2018	81
Total	808,174,464	-		

### 22. Contract liabilities

(1) Contract liabilities are shown as follows:

Item	31 December 2018	31 December 2017
Advertising release fee in advance	6,090,951	-
Sales of property in advance	956,110,032	-
Total	962,200,983	-

Note:

(1) Qualitative and quantitative analysis on contract liabilities

Revenue relative to advertising is recognized during a period, though customers have prepaid the advertising price in part or in whole. The Company recognizes the advertising payments initially received as a contractual liability and carries forward as revenue during the advertising period.

According to the contract, the income of real estate development can be confirmed until the relevant property procedures have been completed and transferred to the customers. The sales payment is recognized at the time of the transaction and is converted into income when the relevant property procedures have been completed and transferred to the customer.

(2) Income recognized in the current period and included in book value at the beginning of the contract liability period.

The value of the contract liabilities in the beginning of the year is RMB785,847,021, which has been recognized as income in the current year. Including advance sales contract liabilities of RMB782,000,000 and advertising release contract liabilities of RMB3,847,021.

Note: Based on judgement of "Accounting Standards for Business Enterprises No. 14 – Revenue", the Group transferred advance receipts from advertising and real estate development businesses from receipts in advance to contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 22. Contract liabilities (Continued)

(1) Contract liabilities are shown as follows: (Continued)

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

Unit: RMB

Project	31 December 2017	31 December 2018	Completion date	Proportion of advance sale (%)
Baohua Hongyan Community B1 Tongchengshijia Project	–	3,789,900	April 2014	72
Baohua Hongyan Community B2 Tongchengshijia Project	–	11,886,511	November 2016	77
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	–	180,537	August 2012	97
Huaqiao Urban Core C3 Langqiao Jiayuan	–	19,752,807	December 2016	92
Suzhou Qingyuan	–	38,226,000	December 2013	33
Suzhou Nanmen Road Nanmenshijia Phase 1 Project	–	102,730,059	January 2018	81
Huaqiao Urban Core C7 Pujiang Mansions	–	41,728,172	December 2019	8
Hanrui Center	–	737,816,046	November 2019	63
Total	–	956,110,032		

### 23. Employee benefits payable

(1) Employee benefits payable are shown as follows:

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
1. Short term compensation	3,636,736	836,668,956	837,387,712	2,917,980
2. Post-employment benefits – Defined contribution plan	–	151,880,078	151,880,078	–
3. Termination benefits	–	1,988,018	1,988,018	–
4. Other welfare due within one year	–	–	–	–
Total	3,636,736	990,537,052	991,255,808	2,917,980

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 23. Employee benefits payable (Continued)

#### (2) Short term compensation

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Wages or salaries, bonuses, allowances and subsidies	–	623,687,339	623,402,081	<b>285,258</b>
II. Staff welfare	–	10,501,344	10,501,344	–
III. Social security contributions	–	78,879,537	78,879,537	–
Including: Medical insurance	–	71,829,196	71,829,196	–
Work injury insurance	–	3,025,506	3,025,506	–
Maternity insurance	–	4,024,835	4,024,835	–
IV. Housing funds	29,361	62,173,909	62,203,270	–
V. Union running costs and employee education costs	3,607,375	17,349,503	18,324,156	<b>2,632,722</b>
VI. Non-monetary welfare	–	34,601,025	34,601,025	–
VII. Others	–	9,476,299	9,476,299	–
<b>Total</b>	<b>3,636,736</b>	<b>836,668,956</b>	<b>837,387,712</b>	<b>2,917,980</b>

#### (3) Defined contribution plan

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
1. Basic endowment insurance	–	101,163,409	101,163,409	–
2. Unemployment insurance	–	2,568,744	2,568,744	–
3. Enterprise annuity payment	–	48,147,925	48,147,925	–
<b>Total</b>	<b>–</b>	<b>151,880,078</b>	<b>151,880,078</b>	<b>–</b>

Note:

#### (1) Defined contribution plan

The Group participates in basic pension insurance, unemployment insurance plan established by government in accordance with the relevant requirements. According to the plan, the Group makes a monthly contribution equivalent to 19%–20% and 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 RMB101,163,409, RMB48,147,925 and RMB2,568,744 (2017: RMB88,882,360, RMB43,420,705 and RMB2,608,822) to basic pension insurance, annuity scheme, unemployment insurance plan respectively. All the contribution had paid over to the schemes as at 31 December 2018.

#### (2) Non-monetary welfare

Non-monetary benefits are RMB34,601,025 (2017: RMB27,798,720), 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 2018



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

### 24. Taxes payable

Unit: RMB

Item	31 December 2018	31 December 2017
Enterprise income tax	181,115,219	196,161,510
Land appreciation tax	42,769,050	17,657,714
VAT	32,797,482	43,918,188
Property tax	2,340,228	2,516,832
Individual income tax	5,646,199	6,132,247
City construction and maintenance tax	1,997,158	2,768,489
Others	5,039,554	6,055,237
<b>Total</b>	<b>271,704,890</b>	<b>275,210,217</b>

### 25. Other payables

Item	Note	31 December 2018	31 December 2017
Interest payable	(1)	93,089,893	99,326,055
Dividends payable	(2)	88,979,103	81,117,999
Others	(3)	88,390,375	36,919,707
<b>Total</b>		<b>270,459,371</b>	<b>217,363,761</b>

(1) Other payables – interest payable

Unit: RMB

Item	31 December 2018	31 December 2017
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	29,927,133	21,972,653
Interest payable of enterprise bonds	59,682,740	72,917,260
Interest payable of short-term borrowings	3,480,020	4,436,142
<b>Total</b>	<b>93,089,893</b>	<b>99,326,055</b>

There are no interest payable overdue but not yet repaid.

(2) Other payables – dividends payable

Unit: RMB

Item	31 December 2018	31 December 2017
Ordinary shares dividends	88,979,103	81,117,999
<b>Total</b>	<b>88,979,103</b>	<b>81,117,999</b>

Note: the balance of dividends payable over 1 years is RMB81,117,999, which is not yet received by investors.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 25. Other payables (Continued)

(3) Other payables – others

a. Details of other payables are as follows:

Unit: RMB

Item	31 December 2018	31 December 2017
Payable of daily procurement in service area	2,895,993	8,932,215
Amount of ETC prepaid cards collected on behalf of the internetwork settlement center	2,517,643	2,189,250
Construction quality warrantee fee payable	15,088,319	3,113,346
Earnest money of acquisition of properties	40,962,778	4,708,004
Others	26,925,642	17,976,892
<b>Total</b>	<b>88,390,375</b>	<b>36,919,707</b>

b. No significant other payables aged more than one year

### 26. Non-current liabilities due within one year

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

Unit: RMB

Item	31 December 2018	31 December 2017
Long-term borrowings due within one year (Note VI 28)	381,700,433	124,618,920
Bonds payable due within one year (Note VI 29)	–	499,222,455
<b>Total</b>	<b>381,700,433</b>	<b>623,841,375</b>

### 27. Other current liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Super short term bonds payable	2,212,191,672	2,243,200,002
<b>Total</b>	<b>2,212,191,672</b>	<b>2,243,200,002</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 27. Other current liabilities (Continued)

Changes of short-term bonds payable

Unit: RMB

Name of bond	Par value	Issue date	Duration of the bond (days)	Issue amount	31 December 2017	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	31 December 2018
Super short term bonds payable										
17 Ninghu Gao SCP001	1,000,000,000	12 April 2017	270	1,000,000,000	1,030,800,002	-	-	-	1,030,800,002	-
17 Ninghu Gao SCP007	1,200,000,000	13 October 2017	182	1,200,000,000	1,212,400,000	-	13,950,000	-	1,226,350,000	-
18 Ninghu Gao SCP001	500,000,000	10 April 2018	185	500,000,000	-	500,000,000	12,673,000	-	512,673,000	-
18 Ninghu Gao SCP002	1,000,000,000	5 June 2018	101	1,000,000,000	-	1,000,000,000	11,116,666	-	1,011,116,666	-
18 Ninghu Gao SCP003	600,000,000	6 July 2018	126	600,000,000	-	600,000,000	7,473,333	-	607,473,333	-
18 Ninghu Gao SCP004	400,000,000	6 July 2018	98	400,000,000	-	400,000,000	5,452,000	-	405,452,000	-
18 Ninghu Gao SCP005	500,000,000	20 July 2018	119	500,000,000	-	500,000,000	5,474,444	-	505,474,444	-
18 Ninghu Gao SCP006	600,000,000	26 October 2018	175	600,000,000	-	600,000,000	3,883,562	-	-	603,883,562
18 Ninghu Gao SCP007	600,000,000	31 October 2018	163	600,000,000	-	600,000,000	3,489,270	-	-	603,489,270
18 Ninghu Gao SCP008	600,000,000	7 November 2018	180	600,000,000	-	600,000,000	3,074,411	-	-	603,074,411
18 Ninghu Gao SCP009	400,000,000	14 November 2018	177	400,000,000	-	400,000,000	1,744,429	-	-	401,744,429
Total	7,400,000,000			7,400,000,000	2,243,200,002	5,200,000,000	68,331,115	-	5,299,339,445	2,212,191,672

Other explanations:

On 31 December 2018, details of the Group's short-term bonds include: (1) "18 Ninghu Gao SCP006" super short term bonds issued by the Company on 26 October 2018 with the par value of RMB600,000,000, duration period of 175 days, and annual interest rate of 3.5%; (2) "18 Ninghu Gao SCP007" super short term bonds issued by the Company on 31 October 2018, with the par value of RMB600,000,000, duration period of 163 days, and annual interest rate of 3.4%; (3) "18 Ninghu Gao SCP008" super short term bonds issued by the Company on 7 November 2018, with the par value of RMB600,000,000, duration period of 180 days, and annual interest rate of 3.38%; and (4) "18 Ninghu Gao SCP009" super short term bonds issued by the Company on 14 November 2018, with the par value of RMB400,000,000, duration period of 177 days, and annual interest rate of 3.3%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 28. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	31 December 2018	31 December 2017
Bank Loans	<b>6,520,554,335</b>	3,248,708,121
Including: Unsecured loans	<b>5,892,550,000</b>	3,152,900,000
Pledged loan (Note 1)	<b>581,000,000</b>	–
Guaranteed loan (Note 2)	<b>47,004,335</b>	77,808,121
Pledged and guaranteed loans	–	18,000,000
Non-bank financial institutions loans	–	–
Including: Entrusted loans	–	–
Loans from a related party	<b>1,550,000,000</b>	750,000,000
Including: Medium Term Notes (Note 3)	<b>750,000,000</b>	750,000,000
Corporate bond (Note 4)	<b>800,000,000</b>	–
<b>Subtotal</b>	<b>8,070,554,335</b>	3,998,708,121
Less: long-term borrowings due within one year	<b>381,700,433</b>	124,618,920
Long-term borrowings due after one year	<b>7,688,853,902</b>	3,874,089,201

(2) Long-term borrowings

*Note 1:* The pledged loan was obtained by the Group from Industrial and Commercial Bank of China (“ICBC”), Wuxi Branch on 28 June 2018. The total contractual amount is RMB1,200,000,000 with a term of 8 years, being used for repaying borrowings which falls due, complementing current funds and adjusting debt structure. RMB581,000,000 was withdrew for the current period. The above loan is pledged with the operation right of Guangjing Expressway and calculated at a floating interest rate based on the benchmark interest rate published by the People’s Bank of China. The interest rate is 4.90% for the current period.

*Note 2:* 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 31 December 2018 at the end of this year is USD2,477,610. (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 RMB165,000,000 by the end of the year, with annual interest rate of 4.90% as calculated by the floating interest based on the benchmark interest rate published by People’s Bank of China.

*Note 3:* 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%.

*Note 4:* Corporate bond borrowings are funds raised by corporate bonds issued by Communications Holding. A part of the funds is allocated to the Group for the purpose of funds specified in the bond prospectus. The Group pays the corresponding interests and principals to Communications Holding. The corporate bonds are the bonds of “18 Sujiao 01” issued by Communications Holding on 23 October 2018. The principals allocated to the Group is RMB800,000,000, with a term of 5 years, an annual interest rate of 4.43% and an annual service fee rate of 0.30%.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

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

Item	31 December 2018	31 December 2017
1–2 years	51,700,434	381,618,920
2–5 years	1,425,101,300	304,856,760
Over 5 years	6,212,052,168	3,187,613,521
<b>Total</b>	<b>7,688,853,902</b>	<b>3,874,089,201</b>

(4) Other explanations

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

### 29. Bonds payable

(1) Bonds payable

Unit: RMB

Item	31 December 2018	31 December 2017
Medium term notes	3,980,548,108	4,469,380,290
Less: Bonds payable due within one year	–	499,222,455
<b>Total</b>	<b>3,980,548,108</b>	<b>3,970,157,835</b>

(2) Changes of bond payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	31 December 2017	Decrease in the current period	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	31 December 2018
Medium Term Notes	500,000,000	21 June 2013	5 years	500,000,000	499,222,455	500,000,000	–	777,545	–	–
Medium Term Notes	2,000,000,000	25 August 2015	5 years	2,000,000,000	1,984,749,860	–	30,394,522	5,820,266	30,394,521	1,990,570,127
Medium Term Notes	1,000,000,000	4 December 2015	5 years	1,000,000,000	991,670,054	–	2,830,685	2,744,168	2,830,685	994,414,222
Medium Term Notes	1,000,000,000	15 April 2016	5 years	1,000,000,000	993,737,921	–	26,356,164	1,825,838	26,356,164	995,563,759
<b>Total</b>				4,500,000,000	4,469,380,290	500,000,000	59,581,371	11,167,817	59,581,370	3,980,548,108

(3) Other explanations

On 31 December 2018, the detail of the Group's bonds payable include: (1) 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. (2) The Company issued "15 Ninghu Gao MTN2" with the par value of RMB1,000,000,000 on 4 December 2015, the bond duration is 5 years, annual interest rate is 3.69%, the interest is paid by year and principal paid on maturity. (3) The Company issued "16 Ninghu Gao MTN1" with the par value of RMB1,000,000,000 on 14 April 2016, the bond duration is 5 years, annual interest rate is 3.70%, the interest is paid by year and principal paid on maturity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 30. Deferred income

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018	Reasons
Government grants	31,489,516	–	1,974,866	<b>29,514,650</b>	Construction grants of Ningchang expressway
Others	2,148,631	11,446,635	–	<b>13,595,266</b>	Others
<b>Total</b>	<b>33,638,147</b>	<b>11,446,635</b>	<b>1,974,866</b>	<b>43,109,916</b>	

Government grants

Unit: RMB

Liability Item	31 December 2017	Increase in the current year	Transfer to other income for the year	Other	31 December 2018	Related to asset/Related to income
Expressway Construction Compensation	31,489,516	–	1,974,866	–	<b>29,514,650</b>	Related to asset

Other explanations:

The deferred income related to government grants is appropriated by People's Government of Wujin District, 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.

### 31. Provisions

Unit: RMB

Item	31 December 2018	31 December 2017	Reason
Provisions for repair and maintenance of Ninglian Highway	<b>461,700</b>	8,010,000	Disposal of Ninglian Highway Maintenance
<b>Total</b>	<b>461,700</b>	8,010,000	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 32. Share capital

Unit: RMB

	Opening balance	New issue of shares	Changes for the year			Subtotal	Closing balance
			Bonus issue	Capitalization of surplus reserves	Others		
2018:							
Total shares	5,037,747,500	-	-	-	-	-	5,037,747,500
2017:							
Total shares	5,037,747,500	-	-	-	-	-	5,037,747,500

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

### 33. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2018:				
Capital premium	7,765,271,453	-	-	7,765,271,453
Including: Capital contributed by investors	4,800,576,953	-	-	4,800,576,953
Differences arising from business combination involving enterprises under common control	2,964,694,500	-	-	2,964,694,500
Other capital reserve	2,663,116,782	-	-	2,663,116,782
Including: Share of capital reserve of the investee under the equity method	(19,860,453)	-	-	(19,860,453)
Transfer from capital reserve under the previous accounting system	2,682,977,235	-	-	2,682,977,235
Total	10,428,388,235	-	-	10,428,388,235
2017:				
Capital premium	7,765,271,453	-	-	7,765,271,453
Including: Capital contributed by investors	4,800,576,953	-	-	4,800,576,953
Differences arising from business combination involving enterprises under common control	2,964,694,500	-	-	2,964,694,500
Other capital reserve	2,663,116,782	-	-	2,663,116,782
Including: Share of capital reserve of the investee under the equity method	(19,860,453)	-	-	(19,860,453)
Transfer from capital reserve under the previous accounting system	2,682,977,235	-	-	2,682,977,235
Total	10,428,388,235	-	-	10,428,388,235

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 34. Other comprehensive income

Unit: RMB

Item	1 January 2018	Before-tax amount for the current year	Change for the year				31 December 2018
			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	
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	380,908,923	557,345,992	-	100,427,248	456,918,744	93,514,674	<b>837,827,667</b>
Including:							
Other comprehensive income that will not be reclassified to profit or loss under the equity method (Note 1)	78,983,691	155,637,001	-	-	155,637,001	-	<b>234,620,692</b>
change in fair value of investments in other equity instruments (Note 2)	301,925,232	401,708,991		100,427,248	301,281,743	93,514,674	<b>603,206,975</b>
Total other comprehensive income	380,908,923	557,345,992	-	100,427,248	456,918,744	93,514,674	<b>837,827,667</b>

Note 1: The changes in the share of other comprehensive income under the equity method of the Group are the fair value adjustments of financial assets designated as at FVTOCI held by the joint venture Yangtze Big Bridge Company of the Group. The Group adjusts other comprehensive income according to the shareholding ratio.

Note 2: other investments in equity instrument are the fair value adjustment of the restricted shares of A-share listed companies, Bank of Jiangsu Co., Ltd., and Jiangsu Financial Leasing Co., Ltd.

### 35. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2018:				
Statutory surplus reserve	3,103,130,236	83,211,327	-	<b>3,186,341,563</b>
Discretionary surplus reserve	170,362,063	54,490,659	-	<b>224,852,722</b>
Total	3,273,492,299	137,701,986	-	<b>3,411,194,285</b>
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>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 35. Surplus reserves (Continued)

*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 RMB83,211,327 in 2018 (2017: RMB66,868,737). Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng Company"), the subsidiary of the Company appropriated the discretionary surplus reserve amounted to RMB54,490,659 (2017: RMB53,450,402) when the balance of the statutory surplus reserve has reached 50% of the registered capital.

### 36. Retained profits

*Unit: RMB*

Item	2018	2017
Opening retained profits (before adjustment)	<b>4,399,747,006</b>	3,048,058,238
Adjustment on 31 December 2017 of total retained profits	-	-
Opening retained profits (adjusted)	<b>4,399,747,006</b>	3,048,058,238
Add: Net profit attributable to owners of the Company for the year	<b>4,376,603,925</b>	3,587,861,857
Less: Appropriation to statutory surplus reserve	<b>83,211,327</b>	66,868,737
Appropriation to discretionary surplus reserve	<b>54,490,659</b>	53,450,402
Declaration of dividends on ordinary shares	<b>2,216,608,900</b>	2,115,853,950
Closing retained profits	<b>6,422,040,045</b>	4,399,747,006

*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 general meeting of shareholders during the year

In 2018, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.44 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 22 March 2019, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2018, cash dividends of RMB0.46 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved by the general meeting of shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 37. Operating income and operating costs

#### (1) 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	8,902,441,391	3,975,860,764	8,884,509,291	4,030,824,256
Including: Shanghai-Nanjing Expressway	5,004,610,182	1,511,763,092	4,804,374,867	1,295,089,018
Nanjing-Lianyungang Expressway and Nanjing-Nantong Expressway	11,994,024	2,100,153	33,204,966	28,056,334
Guangjing Expressway and Xicheng Expressway	920,821,006	286,408,735	867,533,895	256,375,340
Ningchang Expressway and Zhenli Expressway	1,153,861,875	586,641,984	1,064,293,775	537,329,066
Xiyi Expressway	355,490,993	207,827,573	334,956,223	185,012,655
Zhendan Expressway	13,707,738	19,353,451	-	-
Ancillary services	1,441,955,573	1,361,765,776	1,780,145,565	1,728,961,843
Real estate development	1,004,453,761	573,087,120	509,752,364	280,007,835
Advertising and others	62,116,013	25,446,891	61,418,710	23,637,791
<b>Total</b>	<b>9,969,011,165</b>	<b>4,574,394,775</b>	<b>9,455,680,365</b>	<b>4,334,469,882</b>

#### (2) Description of the performance obligation

##### *Road toll and supporting services*

The toll income is divided after the vehicle passes, and is recognized when the amount is received and receivable. The income from road supporting services is mainly oil income. Income from roll supporting services shall be recognized when refueling service is provided.

##### *Real estate development*

As for the real estate development contract concluded with the client, the relevant property stipulated in the contract is based on the client's requirements and has no other alternative use. Taking into account the relevant contract terms, legal environment and relevant legal precedents, the Group believes that the Group has no enforceable right to receive payment prior to the transfer of the relevant property to the customer. Therefore, the proceeds from the sale of the property are recognised at the point in time when the completed property is transferred to the client, i.e. the client gains control of the completed property and the Group has the current right to receive payment and the time point when the payment may be received.

#### (3) A statement of the apportionment to the remaining performance obligations

At the end of the period of this report, the amount of income corresponding to the performance obligations which have been signed but have not been performed or have not been completed is RMB1,035,655,878, including: RMB1,035,655,878 will be recognised as revenue in the year of 2019 to 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 38. Taxes and levies

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Business tax	26,605,346	6,456,103
City maintenance and construction tax	21,943,057	18,716,025
Education surcharge	15,811,315	13,726,750
Land appreciation tax	69,073,867	15,700,908
Property tax	17,534,126	16,786,833
Land use tax	12,147,130	9,995,555
Others	5,862,699	6,205,338
Total	168,977,540	87,587,512

### 39. Selling expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Depreciation	671,073	433,043
Commission fee for agent of real estate sales	19,207,712	6,835,628
Advertisement and promotion fee	6,152,276	3,690,718
Production and planning fee	2,719,128	53,468
Others	8,990,252	878,848
Total	37,740,441	11,891,705

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 40. Administrative expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salaries and additional remuneration	89,380,825	77,590,785
Depreciation and amortization	80,893,339	80,643,654
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	13,340,585	10,308,326
Entertainment fee	1,234,051	1,293,091
Maintenance and repair costs	4,378,387	2,943,399
Office expenses	1,016,383	856,351
Travelling expenses	1,328,934	981,444
Vehicle related expenses	1,607,113	1,893,668
Others	15,394,619	8,187,473
<b>Total</b>	<b>211,774,236</b>	<b>187,898,191</b>

### 41. Financial expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses (Note)	499,232,330	471,952,511
Less: Interest income	8,735,205	5,038,043
Exchange differences	15,080,215	(1,289,868)
Bond issuance fee and commission charges for other loans	18,147,416	12,643,618
Others	835,928	2,173,743
<b>Total</b>	<b>524,560,684</b>	<b>480,441,961</b>

Note: Interest expenses include financing component of RMB26,827,200 in the contract liabilities.

### 42. Impairment losses of assets

Unit: RMB

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 43. Impairment losses of credit

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt losses of notes receivable and accounts receivable	38,167	–
Bad debt losses of other receivables	(4,497)	–
Total	33,670	–

### 44. Gains (losses) from changes in fair values

Unit: RMB

Sources of generating gains from changes in fair value	Amount recognized in the current year	Amount recognized in the prior year
Held-for-trading financial assets	(6,783,758)	5,659,094
Other non-current financial assets	165,083,107	–
Total	158,299,349	5,659,094

### 45. 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	575,193,240	494,404,818
Investment income from disposal of long-term equity investment	1,678,400	–
Investment income (losses) from disposal of financial assets measured at FVTPL	(418,057)	(483,348)
Investment income from other equity instruments in the holding period	64,080,000	54,320,000
Investment income from held-for-trading financial assets	7,100,410	7,007,798
Interest income from loans	2,598,900	31,623,260
Other investment income (Note 1)	406,562,895	–
Total	1,056,795,788	586,872,528

Note 1: investment income mainly includes gains from evaluation appreciation recognized by a shortfall between fair value and carrying amount arising from that the Company combined Hanwei Company in accordance with the standards for business combination involving enterprises not under common control and the Company measured the equity interest in Hanwei Company before the acquisition date at fair value on the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 46. 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	14,396	111,134
Losses from disposal of assets	(7,675,676)	(5,770,382)
Total	(7,661,280)	(5,659,248)

### 47. Other income

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Government grants	1,974,866	1,828,188
Total	1,974,866	1,828,188

### 48. 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	11,388,800	8,827,700
Government grants	1,648,686	2,666,393
Others (Note)	8,906,138	2,682,306
Total	21,943,624	14,176,399

Note: Non-operating income – others include RMB7,907,770, the amount of combination cost from business combination not involving entities under common control less than share of fair value of identifiable net assets. Details are set out in Note VII.

(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	Related to income	Non-operating income	1,648,686	2,666,393
Ningchang Expressway Construction Compensations	Related to assets	Other income	1,974,866	1,828,188
Total			3,623,552	4,494,581

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 49. 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	22,149,216	18,302,899
Non-profit donations	1,450,000	1,210,000
Various funds	2,386,414	2,492,611
Others	4,256,093	2,715,580
<b>Total</b>	<b>30,241,723</b>	<b>24,721,090</b>

### 50. 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	1,017,580,620	1,005,520,239
Deferred tax expenses	159,222,232	23,019,028
Differences in annual filing for the prior years	126,653	463,937
<b>Total</b>	<b>1,176,929,505</b>	<b>1,029,003,204</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	5,652,640,443	4,713,822,722
Income tax expenses calculated at 25% (prior year: 25%)	1,413,160,111	1,178,455,681
Effect of cost, expenses and loss that are not deductible for tax purposes	24,795,129	21,947,609
Effect of tax-free income	(270,188,596)	(136,644,047)
Effect of using deductible losses of previously unrecognized deferred tax assets	-	(35,219,976)
Effect of deductible temporary differences and deductible losses of unrecognized deferred tax assets for the current period	5,083,298	-
Adjustment to provision of prior years' tax	126,654	463,937
Allocation of income tax for investments in joint ventures	3,952,909	-
<b>Total</b>	<b>1,176,929,505</b>	<b>1,029,003,204</b>

### 51. Other comprehensive income

See Note VI. 34 for details.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 52. Supplementary information of income statement

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Employee benefits	981,691,880	902,045,855
Depreciation and amortization	1,465,296,948	1,419,725,855
Toll related expenses	162,159,922	134,580,213
Road maintenance expenses	362,811,697	205,626,217
System maintenance expenses	78,688,580	42,607,191
Real estate development land and construction cost	565,419,544	267,300,202
Petroleum in the service zone	998,523,432	1,378,114,462
Retail goods in the service zone	7,362,362	21,662,910
Catering cost in the service zone	14,820,473	31,321,713
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	13,340,585	10,308,326
Commission fee for agent of real estate sales	15,602,321	6,835,628
Advertisement and promotion fee	8,730,511	5,208,466
Others	146,261,197	105,722,740
<b>Total</b>	<b>4,823,909,452</b>	<b>4,534,259,778</b>

### 53. 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 and etc.	35,256,897	15,653,307
Receipts from interest income of bank deposit	8,735,205	5,038,043
<b>Total</b>	<b>43,992,102</b>	<b>85,241,484</b>

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Changes of restricted monetary funds	128,035,619	–
Payment of non-salary and other expenditure	53,528,300	75,371,043
<b>Total</b>	<b>181,563,919</b>	<b>75,371,043</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

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

(3) Other cash receipts relating to investing activities:

Item	Amount recognized in the current year	Amount recognized in the prior year
Loans to related parties	369,000,000	–

(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	480,000,000	120,000,000

(5) Other cash receipts relating to financing activities: nil.

(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	16,200,711	14,380,393

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 54. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	4,475,710,938	3,684,819,518
Add: Provision for impairment losses of assets	33,670	217,724,263
Depreciation of fixed assets	201,765,721	219,762,652
Amortization of intangible assets	1,262,737,802	1,197,029,095
Amortization of long-term prepaid expenses	973,091	2,836,615
Amortization of Deferred income	(1,974,866)	(1,828,188)
Other- Amortization of investment real estate	812,575	1,079,218
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	7,661,280	5,659,248
Losses on changes in fair values (gains are indicated by "-")	(158,299,349)	(5,659,093)
Financial expenses (income is indicated by "-")	532,459,961	483,306,261
Losses arising from investments (gains are indicated by "-")	(1,056,795,788)	(586,872,528)
Decrease in deferred tax assets (increase is indicated by "-")	112,003,572	87,324,710
Increase in deferred tax liabilities (decrease is indicated by "-")	39,574,838	(64,305,682)
Decrease in inventories (increase is indicated by "-")	348,027,603	131,520,619
Decrease in receivables from operating activities (increase is indicated by "-")	(24,014,211)	(150,886,399)
Increase in payables from operating activities (decrease is indicated by "-")	102,848,290	(53,955,465)
Others-decrease in restricted monetary funds (increase is indicated by "-")	(128,035,620)	64,550,134
Net cash flow from operating activities	5,715,489,507	5,232,104,978
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balances of cash	515,126,921	262,758,700
Less: Opening balances of cash	262,758,700	194,272,978
Net increase (decrease) in cash and cash equivalents	252,368,221	68,485,722

(2) Net cash paid to subsidiaries acquired in the current period

Item	31 December 2018	31 December 2017
Cash or cash equivalents paid by the business combination in the current period	184,499,800	—
Including: Hanwei Company	184,499,800	—
Less: Cash and cash equivalents held by the company at the acquisition date	7,627,179	—
Including: Hanwei Company	7,627,179	—
Net cash paid for the acquisition of the subsidiary	176,872,621	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



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

### 54. Supplementary information of the cash flow statement (continued)

(3) Composition of cash and cash equivalents

Unit: RMB

Item	31 December 2018	31 December 2017
I. Cash	<b>515,126,921</b>	262,758,700
Including: Cash on hand	<b>286,177</b>	408,466
Bank deposits	<b>491,610,307</b>	262,105,874
Other monetary funds	<b>23,230,437</b>	244,360
II. Cash equivalents	-	-
Including: Investment in debt securities due within three months	-	-
III. Closing balance of cash and cash equivalents	<b>515,126,921</b>	262,758,700

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

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	<b>1,305,297</b>	Customer mortgage deposit
Bank deposits	<b>133,329,373</b>	Regulations of pre-sale properties
Intangible assets	<b>350,336,815</b>	Pledge of toll road right
Total	<b>484,971,485</b>	

### 56. Monetary item dominated in foreign currency

Unit: RMB

Item	31 December 2018 (foreign currency)	Exchange rate	31 December 2018 (equivalent to RMB)
<b>Cash and bank balances</b>			
Including: HKD	<b>839,214</b>	0.87623	<b>735,374</b>
<b>Long-term borrowings</b>			
Including: USD	<b>2,477,610</b>	6.8632	<b>17,004,335</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE

### 1. Changes of business combination scope not involving enterprises under common control in the current year

#### (1) Business combination not involving enterprises under common control in the current year

Hanwei company was established on 13 March 2015 with a registered capital of RMB100,000,000, which was jointly invested and established by the Company and Nanjing Luode Deshi Equity Investment Partnership (limited partnership) (hereinafter referred to as "Luode Deshi"), the shareholder of Hanwei Company. The Company contributed RMB70,000,000 and held 70% of the shares, while Luode Deshi contributed RMB30,000,000 and held 30% of the shares. According to the provisions of Hanwei's articles of association, the resolution of the shareholders' meeting of Hanwei shall be passed only with the unanimous consent of the Company and Luode Deshi, and the resolution of the board of directors shall be passed unanimously on behalf of the Company and Luode Deshi's directors. Therefore, the Company and Luode Deshi Company constitute the joint control over Hanwei Company.

As at 19 March 2018, the Company signed the "equity transfer agreement" with Nanjing Luode Deshi Equity Investment LLP ("Luode Deshi"), the shareholder of Hanwei Company. The Company acquired 30% equity of Hanwei Company at the consideration of RMB184,499,800 by cash. After the transaction was succeeded on 12 April 2018, the Group has obtained control right over Hanwei Company. Therefore, Hanwei Company is included in scope of the consolidated financial statements since 12 April 2018.

Fair value of identifiable net assets of Hanwei Company is determined by Pan-China Assets Appraisal Co., Ltd. at the acquisition date in accordance with evaluation results determined using asset base method.

Unit: RMB

Acquirees	Equity acquisition date	Costs	Proportion (%)	Acquisition Method	Acquisition date	Determining basis of acquisition date	Acquirees' net income from the acquisition date to the end of the period	Acquirees' net profit from the acquisition date to the end of the period
Hanwei Company	13 March 2015	70,000,000	70	Cash payment				
Hanwei Company	12 April 2018	614,999,333	100	Cash payment	12 April 2018	The date that the Group actually acquired control right	-	5,383,507

#### (2) Cost of combination and goodwill

Unit: RMB

Cost of combination	Hanwei Company
Cash and cash equivalent	184,499,800
Fair value of non-cash assets	-
Fair value of the equity on the acquisition date held before the acquisition date	430,499,533
Others	-
Total cost of consolidation	614,999,333
Less: share of fair value of identifiable net assets acquired	622,907,103
Shares of goodwill/consolidation cost lower than the fair value of the identifiable net assets acquired	(7,907,770)



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE (CONTINUED)

### 1. Changes of business combination scope not involving enterprises under common control in the current year (Continued)

(3) Acquiree's identifiable net assets and liabilities at the acquisition date

Unit: RMB

	Nanjing Hanwei Real Estate Development Co., Ltd.	
	Fair value at the acquisition date	Net book value at the acquisition date
<b>Assets:</b>	1,705,286,095	1,162,631,895
Cash and bank balances	240,707,635	240,707,635
Accounts receivable	-	-
Interest receivable	1,617	1,617
Other receivables	12,835,206	12,835,206
Inventories	1,397,850,893	840,123,493
Held-for-trading financial assets	16,420,000	16,420,000
Fixed assets	134,447	89,347
Intangible assets	122,045	14,245
Long-term pre-paid expenses	1,402,709	1,402,709
Deferred tax assets	-	11,019,507
Other non-current assets	35,811,543	40,018,136
<b>Liabilities:</b>	1,082,378,992	1,082,378,992
Short-term borrowings	-	-
Accounts payable	10,755,572	10,755,572
Receipts in advances	464,696,510	464,696,510
Taxes payable	30,791	30,791
Other payables	103,619	103,619
Long-term borrowings	600,000,000	600,000,000
Long-term payables	6,792,500	6,792,500
Deferred tax liabilities	-	-
<b>Net assets</b>	622,907,103	80,252,903
Less: minority interest	-	-
Net assets acquired	622,907,103	80,252,903

(4) Gains or losses arising from the re-measurement of the equity held previously at its fair value before the date of purchase

Unit: RMB

Name of acquiree	The book value of the original equity held at the date of purchase	The fair value of the original equity held at the date of purchase	Gains or losses arising from the re-measurement of the equity held previously at its fair value before the date of purchase	The determination method and main assumption of the fair value of the original equity held before the purchase date	The amount of other comprehensive income related to the original equity held prior to the date of purchase transferred to the investment income
					-
Hanwei Company	-	430,499,533	430,499,533	Asset base method	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VIII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Group composition

Name of subsidiary (Note)	Type of subsidiaries	Registered Capital	Business premise	Registered place	Business nature	Proportion of holding equity (%)		
						Direct	Indirect	Acquired method
Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("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	-	100	Set-up
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment")	Limited liability company	1,000,000,000	Nanjing	Nanjing	Investment and Service	100	-	Set-up
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Limited liability company	500,000,000	Nanjing, Zhenjiang	Nanjing	Real estate development	100	-	Set-up
Kunshan Feng Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan")	Limited liability company	9,000,000	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
Jiangsu Nanchang Zhenli Expressway Co., Ltd. ("Ningchang Zhenli Company")	Limited liability company	8,000,000,000	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	64.5	-	Set-up
Jiangsu Changyi Expressway Co., Ltd. ("Changyi Company")	Limited liability company	1,519,846,000	Changzhou, Yixing	Wuxi	Construction and operation of expressway	-	60	Set-up
Jiangsu Yichang Expressway Co., Ltd. ("Yichang Company")	Limited liability company	1,591,480,880	Yixing, Changxing	Yixing	Construction and operation of expressway	-	60	Set-up
Nanjing Hanwei Real Estate Development Co., Ltd. ("Hanwei Company")	Limited liability company	100,000,000	Nanjing	Nanjing	Real estate development	100	-	Business combination not under the common control

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

Unit: RMB

Name of subsidiaries	31 December 2018/Amount recognized in the current year				31 December 2017/Amount recognized in the prior year		
	Minorities proportion of shareholding (%)	Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	31 December 2018 of minority interest	Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	31 December 2017 of minority interest
Guangjing Xicheng Zhendan Company	15	97,419,228	15,091,878	747,801,972	94,666,815	72,856,987	571,959,948
Wufengshan Bridge	30	(6,100,823)	-	175,845,661	(4,200)	-	181,946,484
Changyi Company	35.5	580,152	-	1,038,646,189	(331,133)	-	975,586,037
Yichang Company	40	2,179,575	-	611,368,996	1,251,020	-	361,379,021
	40	5,028,881	-	642,996,392	1,375,159	-	283,775,159

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in subsidiaries (Continued)

(3) Financial information of significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	31 December 2018						31 December 2017					
	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 Zhendan Company	757,492,781	10,209,551,503	10,967,044,284	970,532,383	3,738,374,803	4,708,907,186	130,945,078	8,559,498,118	8,690,443,196	2,000,873,995	2,212,923,469	4,213,797,464
Wufengshan Bridge	11,295,743	1,725,459,816	1,736,755,559	90,963,355	1,059,650,000	1,150,613,355	1,888,101	1,276,478,570	1,278,366,671	91,888,389	580,000,000	671,888,389
Changyi Company	134,955,367	6,476,591,667	6,611,547,034	5,831,592	3,680,000,000	3,685,831,592	4,216,962	4,407,664,302	4,411,881,264	3,800,007	1,660,000,000	1,663,800,007
Yichang Company	573,740,790	2,057,146,967	2,630,887,757	4,476,353	1,097,900,000	1,102,376,353	2,187,990	1,494,729,259	1,486,917,249	569,698	382,900,000	383,469,698
	896,564,014	1,420,206,237	2,316,770,251	4,368,187	705,000,000	709,368,187	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 incurred in the current year				Amount incurred in the prior year			
	Operating income	Net profit attributable to the parent company	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit attributable to the parent company	Total comprehensive income	Cash flow from operating activities
Guangjing Xicheng Zhendan Company	1,316,434,759	649,461,520	1,280,101,134	826,392,870	1,239,352,054	631,112,100	631,112,100	794,702,435
Wufengshan Bridge	14,095,300	(20,336,077)	(20,336,077)	(8,139,224)	-	(14,000)	(14,000)	(16,992)
Changyi Company	-	1,634,185	1,634,185	(14,581,766)	-	(932,743)	(932,743)	(87,052)
Yichang Company	-	5,537,853	5,537,853	(105,591)	-	3,127,552	3,127,552	2,416,237
	-	12,483,287	12,483,287	(778,210)	-	3,437,897	3,437,897	2,181,278

### 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	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 Expressway (Note 1)	Suzhou	Suzhou	Construction and operation of expressway	-	25.15	Equity method

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

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

#### (1) Significant associates (Continued)

*Note 1:* In 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 that, the equity ratio in Yanjiang Expressway of the Group decreased from 28.96% to 25.15%. After the completion of capital increment on 19 December 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018



## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

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

(2) Financial information of significant associates

Unit: RMB

	31 December 2018/Amount recognized in the current year				31 December 2017/Amount recognized in the prior year			
	Yangtze Bridge Company	Sujiahang Company	Sujiayong Company	Yanjiang Expressway	Yangtze Bridge Company	Sujiahang Company	Sujiayong	Yanjiang Expressway
Current asset	1,172,712,515	1,574,903,687	148,930,556	1,570,664,007	664,112,801	949,515,981	175,767,863	1,340,194,334
Non-current asset	18,603,931,222	3,336,178,513	4,042,361,334	10,697,131,276	15,667,073,101	3,421,266,979	4,083,144,588	10,828,432,666
<b>Total asset</b>	<b>19,776,643,737</b>	<b>4,911,082,200</b>	<b>4,191,291,890</b>	<b>12,267,795,283</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>
Current liabilities	1,971,094,650	251,943,341	1,110,243,971	1,978,233,986	2,217,981,626	188,807,046	1,103,347,361	1,726,303,786
Non-current liabilities	10,588,081,101	583,139,198	1,289,960,000	2,278,800,001	8,234,750,753	583,538,508	1,316,660,000	2,732,300,001
<b>Total liabilities</b>	<b>12,559,175,751</b>	<b>835,082,539</b>	<b>2,400,203,971</b>	<b>4,257,033,987</b>	<b>10,452,732,379</b>	<b>772,345,554</b>	<b>2,420,007,361</b>	<b>4,458,603,787</b>
Minority Interests	1,755,851,527	8,553,950	-	387,508,467	1,400,085,513	11,949,979	-	473,872,760
Shareholders' equity attributable to shareholders of the parent company	5,461,616,459	4,067,445,711	1,791,087,919	7,623,252,829	4,478,368,010	3,586,487,427	1,838,905,090	7,236,150,453
Net assets share calculated according to proportion of shareholding	1,456,066,948	1,283,279,122	407,830,719	2,014,706,466	1,193,917,747	1,131,536,783	418,458,781	1,997,177,525
Adjustments								
Goodwill	53,174,434	28,607,014	-	13,173,081	53,174,434	28,607,014	-	13,173,081
Net book value of the equity investment in associates	1,509,241,382	1,311,886,136	407,830,721	2,117,190,861	1,247,092,181	1,160,143,797	418,458,781	2,010,350,606
Operating income	1,407,330,144	1,688,868,415	158,691,327	1,961,405,557	1,315,694,905	1,525,800,292	119,516,640	1,961,405,557
Net income (Net loss) attributable to the parent company	656,010,801	631,048,615	(46,675,713)	680,176,795	610,043,038	586,508,773	(48,801,198)	655,936,272
Other comprehensive income attributable to the parent company	583,784,696	-	-	-	(88,072,500)	-	-	-
Total comprehensive income attributable to the parent company	1,239,795,497	631,048,615	(46,675,713)	680,176,795	521,970,538	586,508,773	(48,801,198)	655,936,272
Dividends received from associates in the current year	68,380,279	47,353,500	-	80,888,540	68,380,279	47,353,500	-	16,560,754

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 2018



## VIII. 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

	31 December 2018/ Amount recognized in the current year	31 December 2017/ Amount recognized in the prior year
Joint ventures:		
Total net book value of the investment	-	-
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	-	(28,422,033)
Other comprehensive income		
Total comprehensive income (loss)	-	(28,422,033)
Associates:		
Total net book value of the investment	<b>356,304,936</b>	287,280,749
Total amount of the following items calculated according to the proportion of shareholding		
Net profit(loss)	<b>24,104,187</b>	5,219,480
Other comprehensive income	-	-
Total comprehensive income(loss)	<b>24,104,187</b>	5,219,480

- (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 2018



## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank balances, equity 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.

Unit: RMB

	31 December 2018	31 December 2017
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss		
Held-for-trading financial assets	<b>683,326,861</b>	38,871,811
Other non-current financial assets	<b>1,111,415,422</b>	–
Available-for-sale financial assets	–	2,329,877,191
Financial assets measured at fair value through other comprehensive income		
Investments in other equity instruments	<b>3,035,293,680</b>	–
Financial assets measured at amortized costs		
Notes receivable and accounts receivable	<b>322,839,992</b>	309,247,630
Other receivables	<b>32,843,991</b>	21,035,223
Non-current assets due within one year	–	300,000,000
Other current assets	–	491,380,000
<b>Financial liabilities</b>		
Financial liabilities measured at amortized costs		
Short-term borrowings	<b>1,580,000,000</b>	3,599,000,000
Notes payable and accounts payable	<b>1,090,607,320</b>	921,349,151
Other payables	<b>88,390,375</b>	36,919,707
Non-current liabilities due within one year and etc.	<b>381,700,433</b>	623,841,375
Long-term borrowings	<b>7,688,853,902</b>	3,874,089,201
Bonds payable	<b>3,980,548,108</b>	3,970,157,835

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise 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 2018, 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.

As at balances sheet date, the balance of the Group's assets and liabilities in foreign currency are set out below:

Unit: RMB

	<b>31 December 2018</b>	31 December 2017
Cash and bank balances	<b>735,374</b>	701,238
Non-current liabilities due within one year	<b>1,700,433</b>	1,618,920
Long-term borrowings	<b>15,303,902</b>	16,189,201

#### Sensitivity analysis on currency risk

Given that where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

Item	Change in exchange rate	Current year		Prior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% increase against RMB	(637,662)	(637,662)	(667,804)	(667,804)
USD	5% decrease against RMB	637,662	637,662	667,804	667,804
HKD	5% increase against RMB	27,574	27,574	26,296	26,296
HKD	5% decrease against RMB	(27,574)	(27,574)	(26,296)	(26,296)



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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

#### 1.1 Market risk (Continued)

##### 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 RMB6,323,550,000 as at 31 December 2018 (31 December 2017: 303,000,000). 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.

Sensitivity 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 2018 and shareholders' equity would decrease/increase by RMB23,713,313 (2017: decrease/increase by RMB1,136,250). This is mainly attributable to the Company's exposure to interest rates on its variable-rate long-term bank borrowings.

##### 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 2018, if the price of held-for trading financial assets and other non-current financial instrument measured at fair value the Group holds had increased/decreased by 50%, shareholders' equity of the Group would have been increased/decreased by approximately RMB673,028,356 (31 December 2017: decrease/increase by RMB526,826,929) due to changes in profit or loss for the current period. If the price of investments in other equity instruments designated as at fair value had increased/decreased by 50%, shareholders' equity of the Group would have been increased/decreased by approximately RMB1,138,235,130 due to changes in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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

#### 1.2. Credit risk

As at 31 December 2018, 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 (does not consider the available collaterals and other credit enhancements) issued by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the Group's consolidated balance sheet.
- The amount of financial guarantees contract related to real estate sales disclosed in Note XII "Contingencies".

In order to minimise the credit risk, the Group has determined credit limits, made credit approvals and took other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate provision for expected credit losses are made for financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In addition, the credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

As part of the Group's credit risk management, the Group uses credit risk ratings to assess the impairment losses on notes and accounts receivable formed by all businesses. As of 31 December 2018, the credit risk and expected credit losses of notes and accounts receivable are as follows:

RMB

Credit risk ratings	31 December 2018		
	Default loss ratio	Notes and accounts receivable	Bad debt provision
Loss risk	0%	313,033,393	-
Normal	2%	10,006,733	200,134
Loss	100%	1,699,980	1,699,980
Total		324,740,106	1,900,114

The Group's customers mainly include network income distribution enterprises. Their cycles of repayment are very stable without any overdue situations.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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

#### 1.2. Credit risk (Continued)

As at 31 December 2018, the Group always measured the provision for impairment losses of other receivables based on internal ratings and measured the amount of expected credit losses based on comparison table of the credit risk rating and default loss ratio. According to the Group's assessment of credit risk, expected credit losses of other receivables are set out as follows:

Credit risk rating	31/12/2018		
	Default loss ratio	Other receivables	Bad debt provision
Low risk	0%	27,493,166	–
Normal	2%	5,460,026	109,201
Loss	100%	15,812,830	15,812,830
Total		48,766,022	15,922,031

The above loss given default is based on historical actual bad debt rate and takes into account current conditions and forecasts of future economic conditions. In 2018, there is no change in the Group's assessment methods and significant assumptions.

#### 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 2018, the Group has available unutilized bank loan facilities of approximately RMB29,690,960,000 (31 December 2017: RMB23,625,960,000). Meanwhile, private placement note, super short-term bonds and medium term notes etc. are important source of funding for the Group. As at 31 December 2018, the limit of super short-term bonds registered in National Association of Financial Market Institutional Investors ("NAFMII") but not issued by the Group is approximately RMB4,800,000,000 (31 December 2017: RMB5,800,000,000).

As at 31 December 2018, the Group had net current liabilities of RMB946,203,161 (31 December 2017: RMB4,121,125,684), the Group has taken the following measures to reduce liquidity risk.

- The Group has available unutilized bank loan facilities of approximately RMB23,082,960,000 with a credit time limit over one year.
- The Group has NAFMII-registered but not issued super short-term bonds of approximately RMB1,800,000,000 with a registration time limit over one year.

To sum up, the management considers that the liquidity risk of the Group is greatly reduced. The financial statements have been prepared on a going concern basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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

#### 1.3. Liquidity risk (Continued)

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

*Unit: RMB*

	Without duration	Within 1 month	1-3months	3-12 months	1-5years	Over 5 years
Accounts payable	-	-	-	1,090,607,320	-	-
Other payables	-	-	-	88,390,375	-	-
Interest payable	-	-	-	-	-	-
Short-term borrowings	-	-	265,599,333	1,351,976,729	-	-
Other current liabilities	-	-	-	2,212,191,672	-	-
Long-term borrowings (including long-term borrowings due within 1 year)	-	797,487	88,493,850	712,711,062	740,273,408	7,913,268,140
Bonds payable (including bonds payable due within 1 year)	-	-	-	230,291,541	4,210,065,898	-
<b>Total</b>	-	797,487	354,093,183	5,686,168,699	4,950,339,306	7,913,268,140

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## X. 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	
Continuous fair value measurement				
(I) Held-for-trading financial assets				
1. Investments in fund and gold	32,088,053	-	-	32,088,053
2. Financial products	-	651,238,808	-	651,238,808
(II) Investments in other equity instruments				
1. Equity instrument investment	-	-	3,035,293,680	3,035,293,680
(III) Other non-current financial assets				
1. Other non-current financial assets	-	-	1,111,415,422	1,111,415,422
Total assets continuously measured at fair value	32,088,053	651,238,808	4,146,709,102	4,830,035,963

### 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 at 31 December 2018	Valuation technique	Significant unobservable input	Range
Held-for-trading financial assets – financial products	651,238,808	Discounted cash flow analysis	Expected yield rate	1.5%–4.15%

Item	Fair value at 31 December 2017	Valuation technique	Significant unobservable input	Range
Held-for-trading financial assets – financial products	491,380,000	Discounted cash flow analysis	Expected yield rate	1.1%–4.3%

Fair value of the held-for-trading financial assets – financial products are determined by discounted future cash flows based on expected yield rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## X. 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

Item	Fair value at 31 December 2018	Valuation Technique	Significant Unobservable input
Investment in other equity instrument	3,035,293,680	Option pricing model	Non-risk return rate Anticipate fluctuation rate Anticipate dividend rate Option period Right exercise price

Items in Level 3 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. and Jiangsu Financial Leasing 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. and Jiangsu Financial Leasing Co., Ltd. quoted in the open market.

Unit: RMB

Item	Fair value at 31 December 2018	Valuation Technique	Significant Unobservable input	Range
Other non-current financial assets	1,111,415,422	Based on net value of share capital investment with reference to observable market price	Discount of liquidity	N/A

- There were no transfers between Level 1, 2 and 3 in the current and prior years.
- The management of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent of the Company

Unit: RMB

Name of the parent	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
Communications Holding	Nanjing, Jiangsu Province	Investment, construction, operation and management of traffic infrastructure, transportation and other relevant industry	16,800,000,000	54.44	54.44

The ultimate control party of the Company is Communications Holding.

### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note VIII.

### 3. Associates and joint ventures of the entity

Details of the significant associates and joint ventures of the Company are set out in Note VIII.

Other associates or joint ventures 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 Company	Associate
Nanlin Hotel	Associate
Luode Fund Company	Associate
Xiandai R&B Company	Associate
Network Operation Company*	Associate
Yanjiang Company*	Associate
Sujiahang Company	Associate
Yangtze Bridge Company*	Associate

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. 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
Tongxingbao Smart Transportation Science & Technology Co., Ltd. ("Tongxingbao Company")*	Same ultimate shareholder
Jiangsu Petroleum Company*	Same ultimate shareholder
Jiangsu Financial Leasing 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
Jiangsu Huatong Engineering Testing Co., Ltd. ("Huatong Company")	Same ultimate shareholder
Taicang Container Lines Company Limited ("Taicang Container Lines")	Same ultimate shareholder
Jiangsu Fenguan Expressway Management Co. Ltd. ("Fenguan Company")	Same ultimate shareholder
Jiangsu Jinghu Expressway Co., Ltd. ("Jinghu Company")	Same ultimate shareholder
Jiangsu Railway Group Co., Ltd (Railway Group Company)	Same ultimate shareholder
Jiangsu Ninghang Expressway Co., Ltd. ("Ninghang Company")	Same ultimate shareholder
Nantong Tongsha Port Co., Ltd. ("Tongsha Port Company")	Same ultimate shareholder
Jiangsu Ocean Shipping Co., Ltd. ("Ocean Shipping Company")	Same ultimate shareholder
Sundian Engineering Testing Co., Ltd. (Engineering Testing Company)	Same ultimate shareholder
Suzhou Circular Expressway Co., Ltd. ("Suzhou Circular Company")	Same ultimate shareholder
Jiangsu Tongchang Real Estate Investment Co., Ltd. ("Tongchang Real Estate Company")	Same ultimate shareholder



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 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
Xiandai R&B Company*	Road maintenance fee	214,924,280	64,255,347
Network Operation Company*	Maintenance and operating administration fees for toll collection system	28,880,222	26,358,227
Tongxingbao Company*	Maintenance and operating administration fees for toll collection system	12,905,173	10,535,302
Maintenance Technology Company*	Road maintenance fee	11,470,000	6,039,163
Information Company*	Communication system maintenance fee	13,645,676	6,777,298
Huatong Company*	Engineering reinforcement and maintenance fee	1,291,708	
Kuailu Co., Ltd.	Lease fee of transportation service	3,049,000	3,282,308
Nanlin Hotel*	Food and beverage	8,556	88,087
Communications Holding*	Interest expenses of loans from a related party	45,660,962	41,500,000
Group Finance Company*	Interest expenses of working capital loan	31,781,583	40,000,433
Far East Shipping Company*	Interest expenses of entrusted loan	7,397,415	7,600,417
Sutong Bridge Company*	Interest expenses of entrusted loan	9,343,562	8,120,000
Runyang Bridge Company*	Interest expenses of entrusted loan	-	1,363,060

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 all related party transactions, the price is settled by signed contracts.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. 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)

Sales, rendering of services and interest income of borrowings/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
Group Finance Company*	Interest income from deposits	3,824,866	2,452,339
Kuailu Co., Ltd.	Toll road income	1,689,176	2,182,478
Tongxingbao Company*	ETC customer-service network management income	824,685	2,745,396
Hanwei Company (Note)	Interest income from shareholder loan	2,598,900	34,537,500
Kuailu Co., Ltd.	Petrol income	-	554,006

Note: During the reporting period, the Company's interest income of shareholders' loans to Hanwei Company is the interest income of entrusted loans before the business combination not involving enterprises under common control.

- (2) Leases with related parties

The Group as the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the 2018	Lease income recognized in 2017
Jiangsu Petroleum Company*	Fixed assets	12,945,000	15,045,714
Railway Group*	Fixed assets	2,709,300	-
Xiandai R&B Company*	Fixed assets	1,690,000	1,689,967
Network Operation Company*	Fixed assets	-	3,555,094
Engineering Testing Company*	Fixed assets	309,670	-

- (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*	17,004,335	15 October 1998	18 July 2027	Not completed
Communications Holding*	30,000,000	28 June 2018	21 June 2026	Not completed

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

(4) Borrowings/loans with related parties

In the current year:

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	31 December 2018	Remarks
Borrowed from (repaid to)*					
Far East Shipping Company*	120,000,000	28 August 2018	27 August 2019	60,000,000	Entrusted loan with annual interest rate of 4.35%
Far East Shipping Company*	(60,000,000)	28 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 4.35%
Far East Shipping Company*	(160,000,000)	14 August 2017	14 August 2018	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	(220,000,000)	26 June 2017	27 June 2018	-	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	(60,000,000)	10 July 2017	19 July 2018	-	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	(200,000,000)	25 December 2017	31 December 2018	-	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	220,000,000	27 June 2018	14 June 2019	190,000,000	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	(30,000,000)	27 June 2018	14 June 2019	-	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	100,000,000	27 December 2018	16 December 2019	100,000,000	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	60,000,000	09 November 2018	08 November 2019	60,000,000	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	100,000,000	28 November 2018	27 November 2019	100,000,000	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	(100,000,000)	30 March 2017	29 February 2018	-	Entrusted loan with annual interest rate of 3.92%
Group Finance Company*	(200,000,000)	11 May 2017	10 May 2018	-	Entrusted loan with annual interest rate of 4.13%
Group Finance Company*	100,000,000	29 March 2018	28 September 2018	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	(100,000,000)	29 March 2018	28 September 2018	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	200,000,000	29 May 2018	28 May 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	100,000,000	28 September 2018	27 September 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	(200,000,000)	11 September 2018	29 September 2018	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	200,000,000	11 September 2018	29 September 2018	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	200,000,000	15 November 2018	15 February 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%
Jinghu Company	300,000,000	31 May 2018	30 November 2019	-	Entrusted loan with annual interest rate of 4.35%
Sutong Bridge Company	(400,000,000)	17 July 2017	16 July 2018	-	Entrusted loan with annual interest rate of 4.35%
Communications Holding*	250,000,000	05 December 2012	05 December 2022	250,000,000	Entrusted loan with annual interest rate of 3.92%
Communications Holding*	250,000,000	17 May 2013	17 May 2023	250,000,000	Entrusted loan with annual interest rate of 4.13%
Communications Holding*	250,000,000	20 May 2014	20 May 2019	250,000,000	Entrusted loan with annual interest rate of 4.35%
Communications Holding*	800,000,000	20 November 2018	24 October 2023	800,000,000	Entrusted loan with annual interest rate of 4.35%
Hanwei Company	(300,000,000)	26 March 2015	26 March 2018	-	Related party loan with annual interest rate of 8.00%
Hanwei Company	(69,000,000)	18 July 2016	18 July 2019	-	Related party loan with annual interest rate of 8.00%
Hanwei Company (Note 2)	480,000,000	20 March 2018	20 March 2021	-	Related party loan with annual interest rate of 4.75%

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

(4) Borrowings/loans with related parties (Continued)

In the prior year:

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	31 December 2017	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	160,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	100,000,000	30 March 2017	29 March 2018	100,000,000	Borrowings from a related party with annual interest rate of 3.92%
Group Finance Company*	200,000,000	11 May 2017	10 May 2018	200,000,000	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* Communications Holding*	(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	250,000,000	Borrowings from a related party with annual interest rate of 5.80%
Communications Holding*	–	17 May 2013	17 May 2023	250,000,000	Borrowings from a related party with annual interest rate of 5.60%
Communications Holding*	–	20 May 2014	20 May 2019	250,000,000	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	220,000,000	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	60,000,000	10 July 2017	9 July 2018	60,000,000	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	200,000,000	25 December 2017	24 December 2018	200,000,000	Borrowings from a related party with annual interest rate of 4.35%
Sutong Bridge Company* Lend to(collect from): Hanwei Company	400,000,000	17 July 2017	16 July 2018	400,000,000	Entrusted loan with annual interest rate of 4.35%
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%
Hanwei Company	120,000,000	16 March 2017	16 March 2020	120,000,000	Loan from a related party with annual interest rate of 4.75%

Note 1: 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.

Note 2: On 20 March 2018, the Company entrusted a loan of RMB480,000,000 to the Hanwei Company, with an interest rate of 4.35% and a term of 3 years. After the merger of enterprises not under the same control in the current period, the borrowings of Hanwei Company were offset at the merger level at the end of the period.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

- (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*	3,609,167	3,433,977

- (6) Other explanations

\* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

### 6. Amounts due from/to related parties

- (1) Amounts due from related parties

Unit: RMB

Account	Related party	31 December 2018		31 December 2017	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bank deposits (Note1)	Group Finance Company*	365,573,873	-	130,733,001	-
Accountants receivable (Note2)	Jiangsu Petroleum Company*	6,595,610	-	9,200,900	-
	Sujiahang Company	7,018,508	-	7,861,402	-
	Yanjiang Company*	837,249	-	1,665,876	-
	Yangtze Bridge Company	709,020	-	1,196,086	-
	Kuailu Co., Ltd.*	57,065	-	55,221	-
	Luode Fund Company	2,254	-	1,197	-
Sub-total		15,219,706		19,980,682	-
Dividends receivable	Kuailu Co., Ltd.	4,989,960		4,989,960	-

Note 1: In 2016, a financial service agreement was signed and concluded between the Group and Group Finance Company, in which Group Finance Company would provide financial service to the Group such as deposit, credit and so on. The Company's subsidiaries, Guangjing Xicheng Company and Ningchang Zhenli Company have also participated in this agreement. As at 31 December 2018, the Group has deposited RMB365,573,873 (31 December 2017: 130,733,001) in Group Finance Company in accordance with the financial service agreement.

Note 2: As at 31 December 2018, 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 RMB261,331,288 (31 December 2017: RMB235,489,513). 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 2018



## XI. 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	31 December 2018	31 December 2017
Accounts payable (Note)	Xiandai R&B Company*	123,977,636	10,659,467
	Yangtze Bridge Company	4,280,959	4,925,242
	Yanjiang Company*	3,018,696	3,649,840
	Information Company*	6,448,105	2,914,959
	Sujiahang Company	1,488,742	2,051,595
	Network Operation Company*	1,265,996	534,836
	Tongxingbao Company*	1,687,943	352,067
	Kuailu Co., Ltd.	262,000	–
Sub-total		142,430,077	25,088,006
Receipts in advance	Kuailu Co., Ltd.	825,356	846,609
	Xiandai R&B Company*	80,000	80,000
	Network Operation Company*	–	–
Sub-total		905,356	926,609
Other payables	Communications Holding*	750,000	3,750,000
	Tongxingbao Company*	2,452,483	2,130,510
	Network Operation Company*	65,160	58,740
Sub-total		3,267,643	5,939,250
Short-term borrowings	Group Finance Company*	950,000,000	780,000,000
	Sutong Bridge Company	–	400,000,000
	Far East Shipping Company*	60,000,000	160,000,000
Sub-total		1,010,000,000	1,340,000,000
Interest payable	Communications Holding*	21,277,401	17,116,438
	Group Finance Company*	1,262,708	1,010,167
	Sutong Bridge Company	–	531,667
	Far East Shipping Company	79,750	212,667
Sub-total		22,619,859	18,870,939
Long-term borrowings (including long-term borrowings due within 1 year)	Communications Holding*	1,550,000,000	750,000,000
Sub-total		1,550,000,000	750,000,000

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

(2) Amounts due to related parties (Continued)

*Note:* For the year ended 31 December 2018, 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 RMB32,688,096 (31 December 2017: RMB28,552,219). 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

2018

Unit: RMB

Names	Directors' emoluments	Salaries and other benefits (including housing fund etc., detail see Note1)	Performance related payments (Note4)	Defined contribution plan (Including enterprise annuity etc., details see Note2)	Total
<b>Executive directors</b>					
Gu De Jun (Appointed on 22 June 2018)	-	-	346,300	-	346,300
Sun Xi Bin (Appointed on 25 October 2018)	-	131,909	106,200	35,077	273,186
Yao Yong Jia	-	298,242	395,100	82,696	776,038
<b>Non-executive directors</b>					
Chen Yan Li (Appointed on 25 October 2018)	-	-	-	-	-
Chen Yong Bing (Appointed on 25 October 2018)	-	-	-	-	-
Wu Xin Hua (Note3)	-	-	-	-	-
Hu Yu (Note 3)	-	-	-	-	-
Ma Zhong Li	339,200	-	-	-	339,200
<b>Independent non-executive directors</b>					
Lin Hui	107,895	-	-	-	107,895
Zhang Zhu Ting	107,895	-	-	-	107,895
Chen Liang	107,895	-	-	-	107,895
Liu Xiao Xing (Appointed on 25 October 2018)	17,857	-	-	-	17,857
Zhou Shu Dong (Appointed on 22 June 2018)	53,948	-	-	-	53,948
Zhang Er Zhen (Resigned on 22 June 2018)	53,948	-	-	-	53,948
<b>Supervisors</b>					
Yu Lan Ying	-	89,309	235,500	33,557	358,366
Pan Ye	-	-	-	-	-
Ding Guo Zhen	-	-	-	-	-
Chen Wei	-	181,804	211,432	67,756	460,992
Shao Li	-	197,962	206,480	73,612	478,054
Wang Ya Ping (Retired in June 2018)	-	115,302	118,555	51,389	285,246
<b>Total</b>	<b>788,638</b>	<b>1,014,528</b>	<b>1,619,567</b>	<b>344,087</b>	<b>3,766,820</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 7. Directors' emoluments (Continued)

2017

Unit: RMB

Names	Directors' emoluments	Salaries and other benefits (including housing fund etc., detail see Note1)	Performance related payments (Note4)	Defined contribution plan (including enterprise annuity etc., details see Note2)	Total
<b>Executive directors</b>					
Gu De Jun	-	298,985	303,300	88,912	691,197
Shang Hong (Resigned 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 (Note 3)	-	-	-	-	-
Du Wen Yi (Note 3)	-	-	-	-	-
Wu Xin Hua (Note 3)	-	-	-	-	-
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 (Note 3)	-	-	-	-	-
Pan Ye (Note 3)	-	-	-	-	-
Chen Zhong Yang (Appointed on 29 April 2017) (Note 3)	-	-	-	-	-
Wang Ya Ping	-	192,605	151,596	67,972	412,173
Shao Li	-	192,605	184,975	70,000	447,580
Ren Zhuo Hua (Resigned 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>

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 2018



## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 8. Five individuals with the highest emoluments

One (2017: three) 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 four (2017: two) individuals are listed as follows:

	<b>Accumulative amount for the current year</b>	Accumulative amount for the prior year
Salaries and other benefits	<b>1,904,648</b>	918,371
Post-employment benefit	<b>275,275</b>	148,916
Total	<b>2,179,923</b>	1,067,287

Their emoluments were within the following bands:

	<b>Current year</b>	Prior year
Less than HKD1,000,000	<b>1</b>	2

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

Unit: RMB

	31 December 2018	31 December 2017
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	<b>10,513,977,102</b>	13,454,717,512

#### (2) Operating lease commitments

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

Unit: RMB

	31 December 2018	31 December 2017
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	<b>5,009,585</b>	2,215,030
2nd year subsequent to the balance sheet date	<b>3,289,150</b>	2,212,500
3rd year subsequent to the balance sheet date	–	2,012,500
Subsequent periods	–	–
Total	<b>8,298,735</b>	6,440,030

### 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. For the year ended 31 December 2018, the outstanding guarantees amounted to approximately RMB1,035,648,168 (31 December 2017: RMB893,281,511)

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XIII. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Profit appropriation

Unit: RMB

	Amount
Proposed distributions of profits or dividends	2,317,363,850
Distributions of profits or dividends as authorized and declared	-

## XIV. OTHER SIGNIFICANT EVENTS

### 1. Annuity scheme

See Note VI 23.

### 2. Basic endowment insurance

See Note VI 23.

### 3. Operating leases

Rentals under operating leases recorded in profit or loss during the year:

Unit: RMB

	Current year	Prior year
Buildings	6,340,109	2,010,929

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

Unit: RMB

Item	Current year	Prior year
Staff costs (Include: directors' emoluments)	<b>830,337,360</b>	767,642,960
Basic endowment insurance and annuity payment	<b>151,354,519</b>	134,402,895
Total staff costs	<b>981,691,879</b>	902,045,855
Audit fee	<b>3,200,000</b>	3,200,000
Depreciation and amortization (Included in operating costs and administrative expenses)	<b>1,400,638,725</b>	1,355,067,632
Losses on disposal of non-current assets	<b>6,523,594</b>	5,659,248
Amortization of land use rights (Included in operating costs and administrative expenses)	<b>64,658,223</b>	64,658,223
Sales cost of inventories	<b>1,683,328,034</b>	1,681,452,589

### 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 (2017: 12) 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 zones along the expressways), Real estate development and advertising and others. These reporting segments are determined based on standards of resources allocation and performance assessment by the management..

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 2018



## XIV. 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		Xiji Expressway and Wuxi Huantaihu Expressway		Changyi Expressway		Yichang Expressway		Ningchang Expressway and Zhenli 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	5,004,610,182	4,804,374,867	11,994,024	33,204,966	920,821,006	867,533,895	355,490,993	334,956,223	-	-	-	-	1,153,861,875	1,064,293,775
Operating costs	1,511,763,092	1,295,089,018	2,100,153	28,056,334	286,408,735	256,375,340	207,827,573	185,012,655	-	-	-	-	586,641,984	537,329,066
Including: Amortization of toll roads operation rights	576,929,338	551,656,227	-	14,232,145	113,927,067	110,118,568	102,599,649	93,462,398	-	-	-	-	385,108,795	351,101,260
Costs of petrol and other goods sold in service zones	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment operating profit (loss)	3,492,847,090	3,509,285,849	9,893,871	5,148,632	634,412,271	611,158,555	147,663,420	149,943,568	-	-	-	-	567,219,891	526,964,709
Reconciling items:														
Less: Taxes and levies	18,015,301	17,295,750	44,474	119,538	3,314,956	3,123,122	1,279,768	1,205,842	-	-	-	-	4,153,903	3,831,458
Selling expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative expenses	73,185,129	72,874,440	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of assets	-	-	-	217,737,524	-	-	-	-	-	-	-	-	-	-
Impairment loss of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add: Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Invest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	1,974,866	1,828,188
Gains (losses) from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	3,401,646,660	3,419,115,659	9,849,397	(212,708,430)	631,097,315	608,035,433	146,383,652	148,737,726	-	-	-	-	565,040,854	524,961,439
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total profit	3,401,646,660	3,419,115,659	9,849,397	(212,708,430)	631,097,315	608,035,433	146,383,652	148,737,726	-	-	-	-	565,040,854	524,961,439
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit	3,401,646,660	3,419,115,659	9,849,397	(212,708,430)	631,097,315	608,035,433	146,383,652	148,737,726	-	-	-	-	565,040,854	524,961,439
Total segment assets	10,840,577,288	11,378,551,634	-	50,000,000	1,145,788,474	1,232,573,828	1,925,378,105	2,053,682,277	2,630,887,757	1,486,917,249	2,316,770,251	1,084,918,208	5,667,292,931	6,054,352,199
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplementary information:														
Depreciation and amortization	663,282,660	648,395,685	-	14,232,145	134,004,634	127,915,472	111,661,660	100,454,866	-	-	-	-	399,267,389	390,796,919
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets other than long-term equity investments	10,840,577,288	11,378,551,634	-	50,000,000	1,145,788,474	1,232,573,828	1,925,378,105	2,053,682,277	2,630,887,757	1,486,917,249	2,316,770,251	1,084,918,208	5,667,292,931	6,054,352,199
Capital expenditure	95,923,222	59,473,481	-	-	60,008,827	62,910,956	-	13,004,577	572,417,707	1,484,729,260	337,897,944	1,082,308,293	62,766,329	44,936,796
Including: Expenditure arising from construction in progress	73,576,006	44,827,391	-	-	36,501,266	40,460,791	-	9,736,156	572,417,707	1,484,729,260	337,897,944	1,082,308,293	55,746,301	34,150,049
Expenditure arising from purchase of fixed assets	22,347,216	14,846,090	-	-	22,641,881	21,923,365	-	3,268,421	-	-	-	-	7,020,028	10,786,747
Expenditure arising from purchase of intangible asset	-	-	-	-	865,880	526,800	-	-	-	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XIV. 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	13,707,738	-	-	-	1,441,955,573	1,780,145,565	1,004,453,761	509,752,364	62,116,013	61,418,710	-	-	9,969,011,165	9,455,680,365	
Operating costs	19,353,451	-	-	-	1,361,765,776	1,728,961,843	573,087,120	280,007,835	25,446,891	23,637,791	-	-	4,574,394,775	4,334,469,882	
Including: Amortization of toll roads operation rights	7,303,602	-	-	-	-	-	-	-	-	-	-	-	1,185,868,451	1,120,570,598	
Costs of petrol and other goods sold in service zones	-	-	-	-	1,005,885,794	1,399,777,373	-	-	-	-	-	-	1,005,885,794	1,399,777,373	
Segment operating profit (loss)	(5,645,713)	-	-	-	80,189,797	51,183,722	431,366,641	229,744,529	36,669,122	37,780,919	-	-	5,394,616,390	5,121,210,483	
Reconciling items:															
Less: Taxes and levies	49,348	-	-	-	34,226,745	31,108,212	105,737,467	26,809,120	2,155,578	2,619,151	-	1,475,319	168,977,540	87,587,512	
Selling expenses	-	-	-	-	-	-	37,043,904	11,389,920	696,537	501,785	-	-	37,740,441	11,891,705	
Administrative expenses	-	-	-	-	-	-	-	-	-	-	138,589,107	115,023,751	211,774,236	187,898,191	
Financial expenses	-	-	-	-	-	-	-	-	-	-	524,560,684	480,441,961	524,560,684	480,441,961	
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	-	(13,261)	-	217,724,263	
Impairment loss of credit	-	-	-	-	-	-	-	-	-	-	33,670	-	33,670	-	
Add: Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	158,299,349	5,659,094	158,299,349	5,659,094
Invest income	-	-	-	-	-	-	-	-	-	-	-	1,056,795,788	586,872,528	1,056,795,788	586,872,528
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	1,974,866	1,828,188
Gains (losses) from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	(7,661,280)	(5,659,248)	(7,661,280)	(5,659,248)
Operating profit	(5,685,061)	-	-	-	45,963,052	20,075,510	288,585,270	191,545,489	33,817,007	34,659,983	544,250,396	(10,055,396)	5,660,938,542	4,724,367,413	
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-	21,943,624	14,176,399	
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	30,241,723	24,721,090	
Total profit	(5,685,061)	-	-	-	45,963,052	20,075,510	288,585,270	191,545,489	33,817,007	34,659,983	535,952,297	(20,600,087)	5,652,640,443	4,713,822,722	
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	1,176,929,505	1,029,003,204	
Net profit	(5,685,061)	-	-	-	45,963,052	20,075,510	288,585,270	191,545,489	33,817,007	34,659,983	(640,977,208)	(1,049,603,291)	4,475,710,938	3,684,819,518	
Total segment assets	1,736,755,559	1,278,366,670	6,611,547,034	4,411,881,264	315,131,022	309,016,940	3,053,456,897	3,497,565,196	1,236,712,883	836,187,089	10,682,430,632	8,846,498,684	48,162,728,833	42,520,491,238	
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	18,808,871,891	16,634,580,626	
Supplementary information:															
Depreciation and amortization	10,148,834	-	-	-	49,760,949	46,412,909	326,450	281,149	6,337,334	6,781,089	90,506,838	84,455,601	1,465,296,948	1,419,725,855	
Interest income	-	-	-	-	-	-	-	-	-	-	8,735,205	5,038,043	8,735,205	5,038,043	
Interest expense	-	-	-	-	-	-	-	-	-	-	499,232,330	471,952,511	499,232,330	471,952,511	
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	-	-	-	-	575,193,240	494,404,818	
Non-current assets other than long-term equity investments	1,736,755,559	1,278,366,670	6,611,547,034	4,411,881,264	315,131,022	309,016,940	59,150,252	24,077,189	1,153,625,294	704,870,756	2,158,336,447	2,726,414,782	36,561,240,414	32,795,602,996	
Capital expenditure	459,133,160	259,551,500	1,935,131,504	4,386,106,814	17,634,129	1,249,776	906,110	401,584	3,340,289	3,494,878	-	-	3,545,159,221	7,398,167,915	
Including: Expenditure arising from construction in progress	453,844,120	259,551,500	1,935,131,504	4,386,106,814	11,639,852	704,240	636,714	202,257	3,295,248	3,466,203	-	-	3,480,686,662	7,346,042,954	
Expenditure arising from purchase of fixed assets	5,289,040	-	-	-	5,994,277	545,536	269,396	199,327	45,041	28,675	-	-	63,806,879	51,598,161	
Expenditure arising from purchase of intangible asset	-	-	-	-	-	-	-	-	-	-	-	-	865,680	526,800	

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 5. Segment reporting (Continued)

#### (2) Financial information of reporting segment (Continued)

Segment profit represents the gross profit earned by each segment without allocation of finance costs, investment income, profit or loss from changes in fair value. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to segments other than available-for-sale financial assets, long-term equity investment, held-for-trading financial assets and cash and bank balances etc., Segment liabilities are not allocated to segments for the Group's decision-maker has not consider liabilities of each segment when making decisions.

#### (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 19, 26, 27, 28, and 29. Rights enjoyed by the shareholders of the Company includes capital reserve, other comprehensive income, surplus reserves and retained profits in Note VI 33, 34, 35 and 36 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.

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

### 1. Cash and bank balances

Unit: RMB

Item	31 December 2018			31 December 2017		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
<b>Cash:</b>						
RMB			104,748			220,009
<b>Bank balances:</b>						
RMB			83,550,497			134,204,432
HKD	839,214	0.8763	735,374	838,893	0.8359	701,238
<b>Others</b>						
RMB			16,540,775			
Total			100,931,394			135,125,679

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Held-for-trading financial assets

Unit: RMB

Item	31 December 2018	31 December 2017
Held-for-trading financial assets	193,000,000	–
Including: Financial products	193,000,000	–
Total	193,000,000	–

### 3. Notes receivable and accounts receivable

(1) Disclosure of accounts receivable by aging

Unit: RMB

Aging	31 December 2018			
	Amount	Proportion (%)	Bad debt provision	Net book value
Within one year	218,518,169	100	165,066	218,353,103

(2) Analysis of bad debt provision

Unit: RMB

Bad debt provision	Lifetime expected credit loss (not credit- impaired)	Total
Balance at 1 January 2018	138,223	138,223
Provision for the year	26,843	26,843
Balance at 31 December 2018	165,066	165,066



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Notes receivable and accounts receivable (Continued)

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

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total Accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd.	155,397,561	–	71
Jiaying City Kaitong Investment Co., Ltd.	23,565,387	–	11
Dinuo Fangmaoshan Business Management Co., Ltd.	9,335,074	–	4
Sishou Sujiahang Company	5,729,776	–	3
Suzhou Circular Expressway Co., Ltd.	2,391,927	–	1
Total	196,419,725	–	90

### 4. Prepayments

(1) The aging analysis of prepayments is as follows:

Unit: RMB

Aging	31 December 2018		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	7,017,029	82	2,072,083	87
More than 1 year but not exceeding 2 years	1,581,065	18	305,465	13
More than 2 years but not exceeding 3 years	–	–	–	–
More than 3 years	–	–	2,000	–
Total	8,598,094	100	2,379,548	100

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Prepayments (Continued)

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

Unit: RMB

Name of entity	Amount	Proportion of total prepayments (%)
Jiangsu Expressway Information Engineering Co., Ltd.	3,000,000	35
Jiangsu Construction Engineering Co., Ltd.	720,000	8
Jiangsu Wuxi Electric Co., Ltd.	398,702	5
Suzhou Electric Co., Ltd. (Yangcheng Lake Service Area)	238,450	3
Wujin Power Supply Bureau (Fangmao Mountain Service Area)	220,991	3
Total	4,578,143	54

### 5. Other receivables

Item	Note	31 December 2018	31 December 2017
Interest receivable	(1)	30,590,068	82,325,319
Dividends receivable	(2)	4,989,960	4,989,960
Others	(3)	8,741,126	8,700,887
Total		44,321,154	96,016,166

(1) Other receivables – interest receivable

Unit: RMB

Item	31 December 2018	31 December 2017
Loan interest receivable from subsidiaries	30,590,068	82,325,319
Total	30,590,068	82,325,319

(2) Other receivables – dividends receivable

Unit: RMB

Item	31 December 2018	31 December 2017
Kuailu Co., Ltd.	4,989,960	4,989,960

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Other receivables (Continued)

(3) Other receivables – others

(1) Disclosure of other receivables by aging

Unit: RMB

Aging	31 December 2018			Net book value
	Amount	Proportion (%)	Bad debt provision	
Within 1 year	8,721,736	36	77,079	8,644,657
More than 1 year but not exceeding 2 years	5,462	–	839	4,623
More than 2 years but not exceeding 3 years	36,476	–	–	36,476
More than 3 years	15,868,640	64	15,813,270	55,370
<b>Total</b>	<b>24,632,314</b>	<b>100</b>	<b>15,891,188</b>	<b>8,741,126</b>

(2) Disclosure of other receivables by nature:

Unit: RMB

Nature	31 December 2018	31 December 2017
	Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	–
Investment liquidation accounts	<b>15,812,140</b>	15,812,140
Petty cash	<b>4,089,016</b>	4,164,750
Other insignificant amounts	<b>4,731,158</b>	4,628,329
<b>Total</b>	<b>24,632,314</b>	24,605,219

(3) Analysis of bad debt provision

Unit: RMB

Bad debt provision	Stage I 12-month expected credit loss	Stage III Lifetime expected credit loss (credit-impaired)	Total
	Balance at 1 January 2018	92,192	
Reversals for the year	(13,144)	–	(13,144)
Balance at 31 December 2018	79,048	15,812,140	15,891,188

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 5. Other receivables (Continued)

(3) Other receivables – others (Continued)

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

Unit: RMB

Name of entity	Nature of other receivables	31 December 2018	Aging	Proportion of the amount to total other receivables (%)	31 December 2018 (Bad debt provision)
Jinasu Yixing Highway Administration Department	Investment liquidation accounts	15,812,140	Over 3 years	64	–
Jiangsu Tongxingbao Smart Transportation Science & Technology Co., Ltd.	ETC customer-service network management fees receivable	734,924	Within 1 year	3	–
Jiangsu Zhengxin Construction Technology Development Co., Ltd.	Advances	105,535	Within 1 year	–	–
Suzhou High-tech Zone Hongxuan Steel Pipe Rental Station	Advances	55,641	Within 1 year	–	–
Jiangsu Jurong Electric Co., Ltd.	Deposits for electrify charges	55,000	Over 3 years	–	–
Total		16,763,240		67	–

### 6. Inventories

Categories of inventories

Unit: RMB

Item	31 December 2018			31 December 2017		
	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	6,449,903	–	6,449,903	13,995,476	–	13,995,476
Petrol	4,855,101	–	4,855,101	8,506,742	–	8,506,742
Total	11,305,004	–	11,305,004	22,502,218	–	22,502,218

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 7. Non-current assets due within one year

Unit: RMB

Item	31 December 2018	31 December 2017
Entrusted loans due within one year	-	50,000,000
Loans to joint ventures due within one year	-	300,000,000
Total	-	350,000,000

### 8. Other current assets

Unit: RMB

Item	31 December 2018	31 December 2017
Available-for-sale financial assets - financial products	-	404,000,000
Entrusted loans	7,000,000	-
Total	7,000,000	404,000,000

### 9. Investments in other equity instruments

(1) Details of investments in other equity instruments are as follows

Item	31 December 2018			31 December 2017		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Investments in other equity instruments Measured at fair value	1,933,153,680	-	1,933,153,680	-	-	-
Total	1,933,153,680	-	1,933,153,680	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 9. Other investments in equity instruments (Continued)

(2) Analysis of non-tradable equity instrument investments

Unit: RMB

Item	Dividend income recognized for the period	Cumulative gains	Reasons for designated as FVTOCI
Listed companies			
Bank of Jiangsu	36,000,000	73,153,680	Non-tradable equity instrument investment

Details of the item of non-tradable equity instrument investment are set out in Note VI. 9.

### 10. Long-term equity investments

Unit: RMB

Item	31 December 2018			31 December 2017		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
Investments in subsidiaries	10,949,363,515	-	10,949,363,515	12,122,343,715	-	12,122,343,715
Investments in associates	3,341,580,779	-	3,341,580,779	2,905,333,757	-	2,905,333,757
Investments in joint ventures	-	-	-	-	-	-
Total	14,290,944,294	-	14,290,944,294	15,027,677,472	-	15,027,677,472

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

#### (1) Investments in subsidiaries

Unit: RMB

Investee	31 December 2017	Changes in the year	31 December 2018	Provision for impairment	Cash dividend for the year
Subsidiaries					
Guangjing Xicheng Company	2,125,000,000	-	<b>2,125,000,000</b>	-	85,520,641
Ningchang Zhenli Company	6,729,236,885	(1,700,000,000)	<b>5,029,236,885</b>	-	-
Ninghu Properties	500,000,000	-	<b>500,000,000</b>	-	-
Ninghu Investment	571,100,000	229,000,000	<b>800,100,000</b>	-	-
Zhendao Expressway	423,910,000	-	<b>423,910,000</b>	-	-
Wufengshan Bridge	1,773,096,830	113,520,000	<b>1,886,616,830</b>	-	-
Nanjing Hanwei Real Estate Development Co., Ltd.	-	184,499,800	<b>184,499,800</b>	-	-
<b>Total</b>	<b>12,122,343,715</b>	<b>(1,172,980,200)</b>	<b>10,949,363,515</b>	-	<b>85,520,641</b>

#### (2) Investments in joint ventures or associates

Unit: RMB

Investee	1 January 2018	Changes in the current year							31 December 2018	(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										
Kuailu Co., Ltd.	58,365,294	-	-	(1,016,452)	-	-	-	-	-	57,348,842
Yangtze Bridge Company	1,247,092,181	-	-	174,892,479	155,637,001	-	(68,380,279)	-	-	1,509,241,382
Suijiang Company	1,160,143,798	-	-	199,095,838	-	-	(47,353,500)	-	-	1,311,886,136
Suijiayong Company	418,458,779	-	-	(10,628,060)	-	-	-	-	-	407,830,719
Xixin Ninghu Company	11,304,128	-	-	56,013	-	-	-	-	-	11,360,141
Xiandai R&B Company	9,969,577	-	-	5,080,473	-	-	-	-	-	15,050,050
Network Operation Company	-	5,230,000	-	1,153,687	-	-	-	-	-	6,383,687
Jiangsu Communication Culture Media Co. Ltd. (Note)	-	24,000,000	-	(1,520,178)	-	-	-	-	-	22,479,822
<b>Total</b>	<b>2,905,333,757</b>	<b>29,230,000</b>	<b>-</b>	<b>367,113,800</b>	<b>155,637,001</b>	<b>-</b>	<b>(115,733,779)</b>	<b>-</b>	<b>-</b>	<b>3,341,580,779</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 11. 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. 31 December 2017	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
2. Increase in the current year	17,628,240	189,274	2,434,373	10,900,338	29,108,928	3,614,847	470,908	1,342,610	65,689,518
(1) Purchase	1,413,300	189,274	885,360	1,541,243	20,528,456	3,388,718	470,908	1,342,610	29,759,869
(2) Transferred from construction in progress	16,214,940	-	1,549,013	9,359,095	8,580,472	226,129	-	-	35,929,649
3. Decrease in the current year	13,710,154	-	2,369,785	3,586,543	26,466,098	4,880,992	10,681,244	192,274	61,887,090
(1) Disposal or retirement	13,710,154	-	2,369,785	3,586,543	26,466,098	4,880,992	10,681,244	192,274	61,887,090
4. 31 December 2018	932,086,046	421,823,610	319,800,022	285,576,643	338,323,725	37,212,363	35,948,040	8,661,862	2,379,432,311
II. Total accumulated depreciation									
1. 31 December 2017	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
2. Increase in the current year	36,257,412	11,078,308	22,733,990	23,523,932	15,074,963	4,927,771	4,204,076	1,010,981	118,811,433
(1) Amount accrued	36,257,412	11,078,308	22,733,990	23,523,932	15,074,963	4,927,771	4,204,076	1,010,981	118,811,433
3. Decrease in the current year	6,433,037	1,200	2,137,556	3,045,226	22,761,769	3,938,515	9,064,346	88,666	47,470,315
(1) Disposal or retirement	6,433,037	1,200	2,137,556	3,045,226	22,761,769	3,938,515	9,064,346	88,666	47,470,315
4. 31 December 2018	375,368,772	352,905,769	215,825,916	185,593,630	242,513,174	26,260,948	26,656,256	5,644,190	1,430,768,655
III. Total provision for impairment losses									
1. 31 December 2017	-	-	-	-	-	-	-	-	-
2. Increase in the current year	-	-	-	-	-	-	-	-	-
3. Decrease in the current year	-	-	-	-	-	-	-	-	-
4. 31 December 2018	-	-	-	-	-	-	-	-	-
IV. Total net book value of fixed assets									
1. 31 December 2018	556,717,274	68,917,841	103,974,106	99,983,013	95,810,551	10,951,415	9,291,784	3,017,672	948,663,656
2. 31 December 2017	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



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 11. Fixed assets (Continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	31 December 2018	31 December 2017
Buildings	110,449,710	83,086,348

(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	6,205,141	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Kunshan toll station	5,987,758	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Huaqiao toll station	7,434,430	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Xuejia toll station	8,593,757	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	19,055,890	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,388,319	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	2,385,468	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	834,460	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	38,478,102	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway South Network Centre and project management center houses	17,091,839	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	21,995,203	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Wuxi airport toll station	4,067,775	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Heyang roll station	2,374,826	Incorporated into communication facilities and cannot obtain certification at present.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 11. 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 Zhenjiang toll station	8,572,585	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	1,158,460	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	10,308,379	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Nanjing toll station	876,738	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Tangshan toll station	288,453	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	334,349	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Jurong toll station	11,341,191	Incorporated into communication facilities and cannot obtain certification at present.
<b>Total</b>	<b>170,773,123</b>	

### 12. Construction in progress

(1) Details of construction in progress are as follows

Unit: RMB

Project	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Construction Project of acoustic barrier	4,076,094	-	4,076,094	4,571,010	-	4,571,010
Information project	3,816,141	-	3,816,141	3,872,707	-	3,872,707
Housing projects of Toll stations and service zones	19,205,294	-	19,205,294	2,037,663	-	2,037,663
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Three big system construction project	8,069,204	-	8,069,204	-	-	-
Others	13,376,089	-	13,376,089	631,252	-	631,252
<b>Total</b>	<b>50,503,852</b>	<b>-</b>	<b>50,503,852</b>	<b>13,073,662</b>	<b>-</b>	<b>13,073,662</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 12. Construction in progress (Continued)

(2) Changes in significant construction in progress

Unit: RMB

Project	Budget amount	31 December 2017	Increase in current year	Transfer to fixed assets	Transfer to intangible assets	31 December 2018	Amount injected as a proportion of budget amount (%)	Construction progress	Source of funds
Housing projects of Toll stations and service zones	74,078,215	2,037,663	35,074,346	17,906,715	-	19,205,294	50	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	26,231,786	-	16,471,005	7,689,786	712,015	8,069,204	60	In progress	Own funds
Others	53,909,748	9,074,969	23,976,296	10,333,148	1,449,793	21,268,324	63	In progress	Own funds
<b>Total</b>		<b>13,073,662</b>	<b>75,521,647</b>	<b>35,929,649</b>	<b>2,161,808</b>	<b>50,503,852</b>			

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

### 13. 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. 31 December 2017	17,049,113,097	1,725,422,593	49,687,058	18,824,222,748
2. Increase in the current year	-	-	2,161,808	2,161,808
(1) Transferred from construction in progress	-	-	2,161,808	2,161,808
3. Decrease in the current year	-	-	-	-
4. 31 December 2018	17,049,113,097	1,725,422,593	51,848,866	18,826,384,556
II. Total accumulated amortization				
1. 31 December 2017	6,706,549,025	1,144,578,448	19,325,393	7,870,452,866
2. Increase in the current year	576,929,338	63,861,063	10,238,234	651,028,635
(1) Amortization accrued	576,929,338	63,861,063	10,238,234	651,028,635
3. Decrease in the current year	-	-	-	-
4. 31 December 2018	7,283,478,363	1,208,439,511	29,563,627	8,521,481,501
III. Total provision for impairment losses				
1. 31 December 2017	217,737,524	-	-	217,737,524
2. Increase in the current year	-	-	-	-
3. Decrease in the current year	-	-	-	-
4. 31 December 2018	217,737,524	-	-	217,737,524
IV. Total net book value of intangible assets				
31 December 2018	9,547,897,210	516,983,082	22,285,239	10,087,165,531
31 December 2017	10,124,826,548	580,844,145	30,361,665	10,736,032,358

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

(1) Deferred tax assets that are not offset

Unit: RMB

Item	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	233,793,778	58,448,444	233,780,079	58,445,020
Provisions	461,700	115,425	8,010,000	2,002,500
Difference between service zone lease income recognized under tax policies and that under accounting policies	19,379,059	4,844,765	37,144,767	9,286,192
<b>Total</b>	<b>253,634,537</b>	<b>63,408,634</b>	<b>278,934,846</b>	<b>69,733,712</b>

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	31 December 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for investments in other equity instruments	73,153,680	18,288,420	378,000,000	94,500,000
Difference between service zone lease income recognized under tax policies and that under accounting policies	-	-	-	-
<b>Total</b>	<b>73,153,680</b>	<b>18,288,420</b>	<b>378,000,000</b>	<b>94,500,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. 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	18,288,420	45,120,214	69,733,712	–
Deferred tax liabilities	18,288,420	–	69,733,712	24,766,288

### 15. Other non-current assets

Unit: RMB

Item	31 December 2018	31 December 2017
Entrusted loan (Note 1)	1,990,000,000	1,440,000,000
Less: Entrusted loan due within 1 year	–	50,000,000
Entrusted loan due after 1 year	1,990,000,000	1,390,000,000
Loans to joint venture	–	489,000,000
Less: Loans to joint ventures due within one year	–	300,000,000
Loans to joint ventures due after one year	–	189,000,000
Loans to related parties (Note 2)	600,211,760	600,365,258
Apartment procurement for talents	14,207,792	11,216,678
Total	2,604,419,552	2,190,581,936

Other explanations:

Note 1: The entrusted loans at year end are the loans to Ninghu Properties, a subsidiary of the Company, provided by the Company through China Merchants Bank (Nanjing Branch), Shanghai Pudong Development Bank (Nanjing Branch) and China CITIC Bank (Nanjing Branch) with annual interest rates of 4.75%, 4.75% and 5.0% respectively. The entrusted loans to Hanwei Company, a subsidiary of the Company, are the loans provided by the Company through China CITIC Bank (Nanjing Wangfu Branch) and Shanghai Pudong Development Bank (Nanjing Branch) with annual interest rates of 4.75% and 4.75% respectively.

Note 2: Loans to related parties represent the five-year medium term note "15 Ninghu Gao MTN2" issued by the Company on 3 December 2015, through which an amount of RMB600,365,259 has been allocated to Guangjing Xicheng Company, a subsidiary of the Company with an annual interest rate of 3.69%.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Short-term borrowings

- (1) Categories of short-term borrowings:

Unit: RMB

Item	31 December 2018	31 December 2017
Bank loans	630,000,000	1,593,000,000
Including: Unsecured loans	570,000,000	1,389,000,000
Entrusted loans (Note 1)	60,000,000	204,000,000
Non-bank financial institution loans	1,060,000,000	1,270,000,000
Including: Unsecured loans	500,000,000	300,000,000
Entrusted loans (Note 2)	560,000,000	970,000,000
<b>Total</b>	<b>1,690,000,000</b>	<b>2,863,000,000</b>

Note 1: Entrusted loans refer to the loans to the Company provided by Far East Shipping Company, the related party under Communications Holding, through Group Finance Company on 28 August 2018 at a principal amount of RMB120,000,000, annual interest rate of 4.35%, duration of 1 year. For the current period, the repaid amount and the balance are RMB60,000,000 and RMB60,000,000, respectively.

Note 2: Entrusted loans from non-bank financial institutions are provided by Ningchang Zhenli, the related party under Ninghu Expressway, and Changyi and Yichang, the subsidiaries under Guangjing Xicheng which is the related party under Ninghu Expressway through Jiangsu Communications Holding Group Finance Co., Ltd. ("Group Finance Company"). For the current year, the balance of borrowings from Ningchang Zhenli is RMB240,000,000 with an interest rate of 3.5% which will be due within 1 year; the balance of borrowings from Changyi Expressway is RMB70,000,000 with an interest rate of 4.35% which was received on 14 December 2018 and will fall due within 1 year; and the balance of borrowings from Yichang Expressway is RMB250,000,000 with an interest rate of 4.35% which was received on 6 September 2018 and will fall due within 1 year.

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

### 17. Notes payable and accounts payable

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

Unit: RMB

Item	31 December 2018	31 December 2017
Construction payable	364,562,088	194,958,061
Toll road fee payable	30,561,709	39,497,555
Purchase of petroleum payable	11,980,779	40,425,661
Deposit payable for rent	58,930,661	26,567,000
Others	25,844,998	40,392,381
<b>Total</b>	<b>491,880,235</b>	<b>341,840,658</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 17. Notes payable and accounts payable (Continued)

(2) The aging analysis of accounts payable according to invoice date (close to posting date):

Unit: RMB

Item	31 December 2018	31 December 2017
Within 1 year	357,947,011	266,947,163
More than 1 year but not exceeding 2 years	89,326,814	48,844,136
More than 2 years but not exceeding 3 years	20,856,975	9,120,542
More than 3 years	23,749,435	16,928,817
Total	491,880,235	341,840,658

(3) Significant accounts payable aging more than one year in the 31 December 2018:

Unit: RMB

Item	31 December 2018	Reasons for outstanding or not carrying forward
Construction payable	78,533,448	Long settlement procedure of the project
Margin payable	17,594,379	Service zone lease margin
Bonds underwriting expenses payable	6,500,000	MTN underwriting expenses
Total	102,627,827	

### 18. Employee benefits payable

(1) Employee benefits payable are shown as follows

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
1. Short term compensation	978,932	544,402,139	543,138,678	2,242,393
2. Post-employment benefits – Defined contribution plan	–	98,670,514	98,670,514	–
3. Termination benefits	–	1,879,717	1,879,717	–
4. Other welfare due within one year	–	–	–	–
Total	978,932	644,952,370	643,688,909	2,242,393

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 18. Employee benefits payable (Continued)

#### (2) Short term compensation

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Wages or salaries, bonuses, allowances and subsidies	–	402,481,342	402,196,085	<b>285,257</b>
II. Staff welfare	–	6,414,205	6,414,205	–
III. Social security contributions	–	52,597,716	52,597,716	–
Including: Medical insurance	–	48,602,629	48,602,629	–
Work injury insurance	–	1,417,114	1,417,114	–
Maternity insurance	–	2,577,973	2,577,973	–
IV. Housing funds	–	41,296,930	41,296,930	–
V. Union running costs and employee education costs	978,932	11,589,214	10,611,010	<b>1,957,136</b>
VI. Non-monetary welfare	–	22,202,111	22,202,111	–
VII. Others	–	7,820,621	7,820,621	–
<b>Total</b>	<b>978,932</b>	<b>544,402,139</b>	<b>543,138,678</b>	<b>2,242,393</b>

#### (3) Defined contribution plan

Unit: RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
1. Basic endowment insurance	–	64,762,873	64,762,873	–
2. Unemployment insurance	–	1,704,493	1,704,493	–
3. Enterprise annuity payment	–	32,203,148	32,203,148	–
<b>Total</b>	<b>–</b>	<b>98,670,514</b>	<b>98,670,514</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 RMB64,762,873, RMB32,203,148 and RMB1,704,493 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2017: RMB57,012,745, RMB29,350,482 and RMB1,607,704). All the contribution had paid over to the schemes as at 31 December 2018.

#### (2) Non-monetary welfare

Non-monetary benefits are RMB22,202,111 (2017: RMB18,893,372), 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 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 19. Taxes payable

Unit: RMB

Item	31 December 2018	31 December 2017
Enterprise income tax	109,277,149	155,107,042
VAT	17,683,179	21,340,519
Property tax	1,115,120	1,340,070
Individual income tax	3,763,343	4,394,399
City construction and maintenance tax	1,099,279	1,446,673
Others	2,529,685	2,309,981
<b>Total</b>	<b>135,467,755</b>	<b>185,938,684</b>

### 20. Other payables

Item	Note	31 December 2018	31 December 2017
Interest payable	(1)	61,780,551	76,160,278
Dividends payable	(2)	88,979,103	81,117,999
Others	(3)	19,088,192	16,716,264
<b>Total</b>		<b>169,847,846</b>	<b>173,994,541</b>

#### (1) Other payables – interest payable

Item	31 December 2018	31 December 2017
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	89,041	89,041
Interest payable of enterprise bonds	59,682,740	72,917,260
Interest payable of short-term borrowings	2,008,770	3,153,977
<b>Total</b>	<b>61,780,551</b>	<b>76,160,278</b>

There are no interest payable overdue but not yet repaid.

#### (2) Other payables – Dividends payable

Item	31 December 2018	31 December 2017
Ordinary shares dividends	88,979,103	81,117,999

Note: Balance of dividends payable over 1 year is RMB81,117,999 which is the dividend not received by the investor.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 20. Other payables (Continued)

(3) Other payables – others

a. Details of other payables are as follows:

Unit: RMB

Item	31 December 2018	31 December 2017
Payable of daily procurement in service area	2,895,993	8,932,215
Amount of ETC prepaid cards collected on behalf of the internetwork settlement center	65,160	58,740
Others	16,127,039	7,725,309
Total	19,088,192	16,716,264

### 21. Non-current liabilities due within one year

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

Unit: RMB

Item	31 December 2018	31 December 2017
Long-term borrowings due within one year	1,700,433	1,618,920
Bonds payable due within one year	–	499,222,456
Total	1,700,433	500,841,376

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 22. Long-term borrowings

- (1) Categories of long-term borrowings

Unit: RMB

Item	31 December 2018	31 December 2017
Bank Loans	17,004,335	17,808,121
Including: Guaranteed loan (Note 1)	17,004,335	17,808,121
Non-bank financial institutions loans	-	-
Including: Entrusted loans	-	-
Subtotal	17,004,335	17,808,121
Less: long-term borrowings due within one year	1,700,433	1,618,920
Long-term borrowings due after one year	15,303,902	16,189,201

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 since January 2009 in 40 allotments with interest rate per annum of 2%. The outstanding closing balance at the end of this year is USD2,477,610.

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

Item	31 December 2018	31 December 2017
1-2 years	1,700,433	1,618,920
2-5 years	5,101,300	4,856,760
Over 5 years	8,502,169	9,713,521
Total	15,303,902	16,189,201

- (4) Other explanations

As at 31 December 2018, interest rate of the loans above is 2 %.(31 December 2017: 2%).

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 23. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
<b>2018:</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 ( <i>Note</i> )	(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>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 ( <i>Note</i> )	(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>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 24. Other comprehensive income

Unit: RMB

Item	1 January 2018	Amount recognized in the current period					12 December 2018
		Amount incurred for current year before tax	Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the company after tax	Attributable to minority interests after tax	
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss	362,483,691	(149,209,319)	-	(76,211,580)	(72,997,739)	-	289,485,952
Including: Other comprehensive income that cannot be subsequently reclassified to profit or loss under the equity method (Note 1)	78,983,691	155,637,001	-	-	155,637,001	-	234,620,692
Changes in the fair value of other equity instruments (Note 2)	283,500,000	(304,846,320)	-	(76,211,580)	(228,634,740)	-	54,865,260
<b>Total other comprehensive income</b>	<b>362,483,691</b>	<b>(149,209,319)</b>	<b>-</b>	<b>(76,211,580)</b>	<b>(72,997,739)</b>	<b>-</b>	<b>289,485,952</b>

Note 1: The share changes in other comprehensive income under the equity method enjoyed by the Group are the fair value adjustments of a financial asset designated as at fair value through other comprehensive income, which held by the associated company of the Group, Yangzi Bridge Company. The Group shall adjust other comprehensive income according to the shareholding ratio.

Note 2: Other equity instruments investment refers to the fair value adjustment of the restricted tradable shares of the A-share listed company bank of Jiangsu Co., Ltd. held by the Group.

### 25. Surplus reserve

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2018: Statutory surplus reserve	2,518,873,750	-	-	2,518,873,750
2017: Statutory surplus reserve	2,518,873,750	-	-	2,518,873,750

Note: According to the "Company Law of the People's Republic of China" and the Articles of Association, the Company are required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Statutory surplus reserve can be used for making up losses, or to increase the capital after approval. Since the balance of the statutory surplus reserve has reached 50% of its registered capital by 31 December 2016, the Company didn't transfer any more.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 26. Retained profits

Unit: RMB

Item	2018	2017
Opening retained profits	5,998,708,094	5,155,973,964
Add: Net profit attributable to owners of the Company for the year	2,819,916,812	2,958,588,080
Less: Appropriation to statutory surplus reserve	-	-
Declaration of dividends on ordinary shares	2,216,608,900	2,115,853,950
Closing retained profits	6,602,016,006	5,998,708,094

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 2018, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.44 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 22 March 2019, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2018, cash dividends of RMB0.46 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

### 27. 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 activities	6,388,622,505	2,742,132,352	6,551,657,907	2,924,428,999
Including: Shanghai-Nanjing Expressway	5,004,610,182	1,511,763,092	4,804,374,867	1,295,089,018
Nanjing-Lianyungang Expressway and Nanjing-Nantong Expressway	11,994,024	2,100,153	33,204,966	28,056,334
Ancillary services	1,372,018,299	1,228,269,107	1,714,078,074	1,601,283,647
Total	6,388,622,505	2,742,132,352	6,551,657,907	2,924,428,999

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 27. Operating income and operating costs (Continued)

- (2) Description of the performance obligations

#### *Highway tolls and ancillary services*

The toll income is divided after the vehicle passes, and is recognized when the amount is received and receivable. The income from road supporting services is mainly oil income. Income from roll supporting services shall be recognized when refueling service is provided.

### 28. Taxes and levies

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
City construction and maintenance tax	12,975,705	12,226,480
Education surcharge	9,268,361	8,741,571
Property tax	13,252,127	12,298,415
Land use tax	8,504,705	6,693,634
Others	1,539,263	1,357,210
Total	45,540,161	41,317,310

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 29. Administrative expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salaries and additional remuneration	40,582,141	34,479,070
Depreciation and amortization	78,056,072	78,041,835
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	10,801,456	7,708,085
Entertainment fee	224,062	319,334
Maintenance and repair costs	4,152,128	2,743,512
Office expenses	501,708	334,103
Travelling expenses	566,055	379,649
Vehicle related expenses	958,766	546,516
Others	12,412,890	5,997,914
<b>Total</b>	<b>151,455,278</b>	<b>133,750,018</b>

### 30. Financial expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Interest expenses	365,442,552	358,315,211
Less: Interest income	2,320,069	1,771,582
Exchange differences	15,080,215	(1,289,868)
Bond issue fee and other loan charges	5,147,416	8,893,618
Others	659,308	2,037,558
<b>Total</b>	<b>384,009,422</b>	<b>366,184,937</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 31. Impairment losses of assets

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt provision (reversal)	-	(10,470)
Impairment losses on intangible assets	-	217,737,524
Total	-	217,727,054

### 32. Impairment losses of credit

Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt losses of notes receivable and accounts receivable	26,843	-
Bad debt losses of other accounts receivable	(13,144)	-
Total	13,699	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 33. 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	367,113,800	308,612,467
Income from long-term equity investments under cost method	85,520,641	412,856,260
Investment income from investments in other equity instruments in the holding period	36,000,000	35,600,000
Investment income from held-for-trading financial assets	3,400,771	1,894,234
Interest income from loans	89,712,100	100,926,843
Total	581,747,312	859,889,804

### 34. 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
Losses from disposal of assets	(5,582,053)	(2,760,737)
Total	(5,582,053)	(2,656,442)

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 35. 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	7,048,000	5,127,000
Government grants	1,129,697	1,913,990
Others	300,605	1,656,320
Total	8,478,302	8,697,310

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 working steadily	1,129,697	1,913,990	Related to income
Total	1,129,697	1,913,990	

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 36. 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	16,450,012	13,322,764
Public welfare donations	800,000	420,000
Various funds	1,250,199	1,397,125
Others	4,064,601	1,350,136
Total	22,564,812	16,490,025

### 37. Income tax expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current tax expenses	801,308,452	824,822,611
Deferred tax expenses	6,325,078	(65,720,455)
Total	807,633,530	759,102,156

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 37. Income tax expenses (Continued)

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	3,627,550,342	3,717,690,236
Income tax expenses calculated at 25% (prior year: 25%)	906,887,584	929,422,559
Effect of cost, expenses and loss that are not deductible for tax purposes	22,904,556	18,946,779
Effect of non-taxable income	(122,158,610)	(189,267,182)
Adjustment to provision of prior years' tax	-	-
<b>Total</b>	<b>807,633,530</b>	<b>759,102,156</b>

### 38. Other comprehensive income

See Note XV 24 for details.

### 39. Supplementary information of income statement

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Employee benefits	644,952,370	590,892,310
Depreciation and amortization	769,840,068	757,239,798
Toll related expenses	80,950,018	81,431,550
Road maintenance expenses	216,662,636	111,413,479
System maintenance expenses	69,634,308	31,933,834
Petroleum in the service zone	998,523,432	1,378,114,462
Retail goods in the service zone	7,362,362	21,662,910
Catering cost in the service zone	8,399,328	24,621,945
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	10,801,456	7,708,085
Advertisement fee	546,100	1,314,040
Others	82,715,552	48,646,604
<b>Total</b>	<b>2,893,587,630</b>	<b>3,058,179,017</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 40. 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.	8,451,207	8,491,916
Receipts from interest income of bank deposit	2,320,069	1,771,582
<b>Total</b>	<b>10,771,276</b>	<b>10,263,498</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	53,635,354	44,471,792

- (3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Recovery of loans from related parties	469,000,000	400,000,000

- (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	537,000,000	120,000,000

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

- (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	13,675,235	14,380,392

### 41. Supplementary information to the cash flow statement

- (1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	2,819,916,812	2,958,588,080
Add: Provision for impairment losses of assets	13,699	217,727,054
Depreciation of fixed assets	118,811,433	117,562,818
Amortization of intangible assets	651,028,635	639,676,980
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	5,582,053	2,656,442
Financial expenses (income is indicated by "-")	385,670,183	365,918,961
Losses arising from investments (gains are indicated by "-")	(581,747,312)	(859,889,804)
Decrease in deferred tax assets (increase is indicated by "-")	-	-
Increase in deferred tax liabilities (decrease is indicated by "-")	15,611,269	(65,720,455)
Decrease in inventories (increase is indicated by "-")	11,197,214	(113,539)
Decrease in receivables from operating activities (increase is indicated by "-")	(11,590,325)	(103,965,019)
Increase in payables from operating activities (decrease is indicated by "-")	152,802,172	93,745,980
Net cash flow from operating activities	3,567,295,833	3,366,187,498
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>	-	-
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	100,931,394	135,125,679
Less: Opening balance of cash	135,125,679	98,649,203
Net increase (decrease) in cash and cash equivalents	(34,194,285)	36,476,476

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. 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 borrowings/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
Xiandai R&B Company*	Road maintenance fee	143,892,053	21,261,261
Ningchang Zhenli Company	Interest expenses of entrusted loan	49,975,140	19,846,110
Network Operation Company*	Maintenance and operating administration fees for toll collection system	19,241,959	17,850,896
Group Finance Company*	Interest expenses of working capital loan	11,865,833	22,844,214
Tongxingbao Company*	Maintenance and operating administration fees for toll collection system	8,482,088	7,074,621
Far East Shipping Company*	Interest expenses of entrusted loan	7,397,415	7,600,417
Maintenance Technology Company*	Road maintenance fee	6,931,600	3,677,315
Nanlin Hotel*	Food and beverage	8,556	88,087
Information Company*	Communication system maintenance fee	7,202,712	1,979,820
Ninghu Investment	Interest expenses of entrusted loan	89,606	2,166,500
Runyang Bridge Company*	Interest expenses of entrusted loan	-	1,363,060
Yichang Company	Interest expenses of entrusted loan	3,334,316	-
Changyi Company	Interest expenses of entrusted loan	143,632	-

Sales of goods, provision of service and interest income of borrowings/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	70,586,944	70,893,403
Hanwei Company	Interest income from entrusted loans	28,798,220	34,537,500
Guangjing Xicheng Company*	Interest income from loans to related parties	23,786,501	25,321,047
Kuailu Co., Ltd.	Toll road income	1,281,553	1,846,078
Tongxingbao Company*	ETC Customer-service Network Management income	734,924	2,199,378
Group Finance Company*	Interest income from deposits	64,532	24,935
Zhendian Company*	Interest income from entrusted borrowings	11,842	-
Luode Fund Company	Petrol income	-	4,232
Kuailu Co., Ltd.	Petrol income	-	554,006

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 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. Related party relationships and transactions (Continued)

(2) Leases with related parties

The Company as 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
Xiandai R&B Company*	Fixed assets	1,690,000	1,689,967
Railway Group	Fixed assets	2,709,300	-
Xiandai Engineering Testing Company*	Fixed assets	309,670	-

(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*	17,004,335	15 October 1998	18 July 2027	Not completed

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. Related party relationships and transactions (Continued)

(4) Borrowings/loans from and loans to related parties

*In the current year:*

*Unit: RMB*

Related party	Amount of borrowing/loan		Maturity date	31 December	
	(Note)	Inception date		2018	Remarks
Borrowed from (repaid to)					
Far East Shipping Company*	120,000,000	28 August 2018	27 August 2019	60,000,000.00	Entrusted loan with annual interest rate of 4.35%
Far East Shipping Company*	(60,000,000)	28 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 4.35%
Far East Shipping Company*	(160,000,000)	14 August 2017	14 August 2018	-	Entrusted loan with annual interest rate of 4.35%
Ningchang Zhenli	150,000,000	30 January 2018	29 January 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(150,000,000)	30 January 2018	29 January 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	70,000,000	12 February 2018	11 February 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	12 February 2018	11 February 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	50,000,000	27 February 2018	26 February 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(50,000,000)	27 February 2018	26 February 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	190,000,000	27 March 2018	26 March 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(190,000,000)	27 March 2018	26 March 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	300,000,000	18 July 2018	17 July 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(300,000,000)	18 July 2018	17 July 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	700,000,000	25 July 2018	24 July 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(700,000,000)	25 July 2018	24 July 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	340,000,000	30 July 2018	29 July 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(340,000,000)	30 July 2018	29 July 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	80,000,000	28 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(80,000,000)	28 August 2018	27 August 2019	-	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	90,000,000	28 September 2018	27 September 2019	90,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	80,000,000	26 October 2018	25 October 2019	80,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	70,000,000	26 November 2018	25 November 2019	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(60,000,000)	23 January 2017	22 January 2018	-	Entrusted loan with annual interest rate of 3.50%

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. 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	31 December	
				2018	Remarks
Ningchang Zhenli	(70,000,000)	23 February 2017	22 February 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(80,000,000)	28 March 2017	27 March 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	170,000,000	26 April 2018	25 April 2019		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(170,000,000)	26 April 2018	25 April 2019		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(80,000,000)	27 April 2017	26 April 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	160,000,000	29 May 2018	28 May 2019		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(160,000,000)	29 May 2018	28 May 2019		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	31 May 2017	30 May 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	29 June 2017	28 June 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	150,000,000	27 June 2018	26 June 2019		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(150,000,000)	27 June 2018	26 June 2019		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	27 July 2017	26 July 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	30 August 2017	29 August 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	27 September 2017	28 September 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	26 October 2017	25 October 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(190,000,000)	28 November 2017	27 November 2018		– Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	(70,000,000)	26 December 2017	25 December 2018		– Entrusted loan with annual interest rate of 3.50%
Group Finance Company*	(100,000,000)	30 March 2017	29 March 2018		– Entrusted loan with annual interest rate of 3.92%
Group Finance Company*	(200,000,000)	11 May 2017	10 May 2018		– Entrusted loan with annual interest rate of 4.13%
Group Finance Company*	100,000,000	29 March 2018	28 September 2018		– Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	(100,000,000)	29 March 2018	28 September 2018		– Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	200,000,000	29 May 2018	28 May 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	100,000,000	28 September 2018	27 September 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. 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	31 December	
				2018	Remarks
Group Finance Company*	200,000,000	11 September 2018	29 September 2018		– Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	(200,000,000)	11 September 2018	29 September 2018		– Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	200,000,000	15 November 2018	15 February 2019	200,000,000	Entrusted loan with annual interest rate of 4.35%
Ninghu Investment	(18,000,000)	26 June 2017	26 June 2018		– Entrusted loan with annual interest rate of 3.50%
Ninghu Investment	(26,000,000)	1 August 2017	1 August 2018		– Entrusted loan with annual interest rate of 3.50%
Changyi	70,000,000	14 December 2018	13 December 2019	70,000,000	Entrusted loan with annual interest rate of 4.35%
Yichang Company	250,000,000	6 September 2018	5 September 2019	250,000,000	Entrusted loan with annual interest rate of 4.35%
Lend to (collect from): Guangjing Xicheng	300,000,000	31 May 2018	30 November 2018		– Entrusted loan with annual interest rate of 4.35%
Guangjing Xicheng	(300,000,000)	31 May 2018	30 November 2018		– Entrusted loan with annual interest rate of 4.35%
Zhendan Company	7,000,000	18 December 2018	18 December 2019	7,000,000	Entrusted loan with annual interest rate of 4.35%
Ninghu Properties	–	2 September 2016	1 September 2021	300,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	–	9 November 2016	9 September 2021	200,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	–	9 November 2016	9 November 2021	190,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	50,000,000	30 January 2018	27 November 2018	50,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	(50,000,000)	30 January 2018	27 November 2018		– Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	–	2 September 2016	2 September 2021	200,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	–	20 October 2016	20 October 2021	500,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	(50,000,000)	21 September 2015	21 September 2018		– Entrusted loan with annual interest rate of 5.00%
Hanwei Company	(300,000,000)	26 March 2015	26 March 2018		– Funds occupied by a related party with an annual rate of 8%.
Hanwei Company	(69,000,000)	18 July 2016	17 July 2019		– Entrusted loan with annual interest rate of 4.75%
Hanwei Company	–	16 March 2017	16 March 2020	120,000,000	Loan from a related party with annual interest rate of 4.75%
Hanwei Company	480,000,000	20 March 2018	20 March 2021	480,000,000	Entrusted loan with annual interest rate of 4.75%

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. 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		Maturity date	31 December	
	Borrowing/loan (Note)	Inception date		2017	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	(120,000,000.00)	29 November 2016	28 November 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli	(20,000,000.00)	28 December 2016	27 December 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli	60,000,000.00	23 January 2017	22 January 2018	60,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli	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	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	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	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	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	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	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	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	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	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	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%
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%

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. 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		Maturity date	31 December	
	Borrowing/loan	Inception date		2017	Remarks
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%

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. Related party relationships and transactions (Continued)

- (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*	3,609,167	3,433,977

- (6) Other explanations

\* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

- (7) Amounts due from/to related parties

Amounts due from related parties

Unit: RMB

Account	Related party	31 December 2018		31 December 2017	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bank deposits	Group Finance Company	28,109,278	-	50,817,295	-
Accounts receivable (Note)	Sujiahang Company	5,729,776	-	6,403,149	-
	Guangjing Xicheng Company	2,454,434	-	3,290,603	-
	Ningchang Zhenli Company	343,530	-	443,428	-
	Yangtze Bridge Company	127,567	-	418,771	-
	Yanjiang Company	-	-	-	-
	Kuailu Co., Ltd.	-	-	4,795	-
	Ninghu Investment	12,235	-	20,177	-
	Luode Company	2,254	-	1,197	-
Sub-total		8,669,796	-	10,582,120	-
Other receivables	Ninghu Investment	11,806	-	18,715	-
Other current assets	Guangjing Xicheng Company	-	-	-	-
Other non-current assets (including loans due within 1 year)	Zhendan Company				
	Ninghu Properties	1,390,000,000	-	1,440,000,000	-
	Zhendan Company	7,000,000	-	-	-
	Guangjing Xicheng Company	600,211,760	-	600,365,258	-
	Hanwei Company	600,000,000	-	489,000,000	-
Sub-total		2,597,211,760	-	2,529,365,258	-
Interest receivables	Hanwei Company	28,563,333	-	80,231,500	-
	Zhendan	9,304	-	-	-
	Ninghu Properties	2,017,431	-	2,093,819	-
Sub-total		30,590,068	-	82,325,319	-
Dividends receivables	Kuailu Co., Ltd.	-	-	4,989,960	-

# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. Related party relationships and transactions (Continued)

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

*Note:* For the year ended 31 December 2018, 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 RMB169,201,316 (31 December 2017: RMB153,943,969). 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.

*Amounts due to related parties*

*Unit: RMB*

Account	Related party	31 December 2018	31 December 2017
Accounts payable ( <i>Note</i> )	Xiandai R&B Company	<b>89,059,176</b>	6,100,000
	Information Company*	<b>167,506</b>	1,944,350
	Sujiahang Company	<b>1,130,895</b>	1,540,304
	Guangjing Xicheng Company	<b>770,475</b>	1,497,967
	Yanjiang Expressway	<b>597,325</b>	1,439,725
	Ningchang Zhenli	<b>849,683</b>	1,207,980
	Yangtze Bridge Company	<b>982,197</b>	1,171,639
	Tongxingbao	<b>735,325</b>	–
	Kuailu	<b>210,000</b>	–
Sub-total		<b>94,502,582</b>	14,901,965
Receipts in advance	Kuailu Co., Ltd.	<b>825,356</b>	846,609
	Xiandai R&B Company	<b>80,000</b>	80,000
Sub-total		<b>905,356</b>	926,609
Other payables	Network Operation Company	<b>65,160</b>	58,740
Short-term borrowings	Ningchang Zhenli Company	<b>240,000,000</b>	970,000,000
	Far East Shipping Company	<b>60,000,000</b>	160,000,000
	Group Finance Company	<b>500,000,000</b>	300,000,000
	Yichang Company	<b>250,000,000</b>	–
	Changyi Company	<b>70,000,000</b>	–
	Ninghu Investment	–	44,000,000
Sub-total		<b>1,120,000,000</b>	1,474,000,000
Interest payable	Group Finance Company	<b>664,583</b>	372,167
	Ningchang Zhenli Company	<b>342,222</b>	1,037,361
	Yichang Company	<b>332,292</b>	–
	Changyi Company	<b>93,042</b>	–
	Far East Shipping Company	<b>79,750</b>	212,667
	Ninghu Investment	–	47,056
Sub-total		<b>1,511,889</b>	1,669,251
Long-term borrowings (including long-term borrowings due within 1 year)	Runyang Bridge Company	–	–



# NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 December 2018



## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 42. Related party relationships and transactions (Continued)

(7) Amounts due from/to related parties (Continued)

*Amounts due to related parties (Continued)*

*Note:* For the year ended 31 December 2018, 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 RMB25,709,938 (31 December 2017: RMB21,801,878). 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.

## XVI. 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 2018



## 1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Losses (gains) on disposal of non-current assets	7,661,280
Government grants recognized in profit or loss for the current period	(3,623,552)
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	(164,981,703)
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.	-
Profit or loss from fair value of net identifiable assets of investees attributed to the company when investment costs for acquisition of subsidiaries, associates and joint ventures are less than that acquired investments	(7,907,770)
Reversal of provisions for impairment of accounts receivable that are tested for impairment individually	-
Interest income from entrusted loans	(2,598,900)
Other non-operating income or expenses other than the above	17,854,554
Other profit or loss that meets the definition of non-recurring profit or loss (Note)	(408,241,295)
Tax effects	38,818,623
Effects attributable to minority interests	281,367
<b>Total</b>	<b>(522,737,396)</b>

Note: Details of Other profit or loss that meets the definition of non-recurring profit or loss are set out in Note VI. 45.

## 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	17.71%	0.8688	N/A
Net profit after deduction of non-recurring profits or losses	16.14%	0.7650	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>4,376,603,925</b>	3,587,861,857
Including: Net profit from continuing operations	<b>4,376,603,925</b>	3,587,861,857
Net profit from discontinued operations	-	-

## SUPPLEMENTARY INFORMATION

For the Year ended 31 December 2018



### 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	0.8688	0.7122
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	0.8688	0.7122
Diluted earnings per share (Note)	N/A	N/A
Calculated based on net profit from discontinued operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share (Note)	N/A	N/A

Note: At 31 December 2018, there were no dilutive potential ordinary shares issued by the Group.

# SUPPLEMENTARY INFORMATION

For the Year ended 31 December 2018



## 4. THE GROUP'S SUMMARY OF PERFORMANCE, ASSETS AND LIABILITIES IN THE PAST FIVE ACCOUNTING YEARS

Unit: RMB

Item	2018	2017	2016	2015	2014
I. Total operating income	<b>9,969,011,165</b>	9,455,680,365	9,201,297,066	8,761,321,186	8,830,860,795
Including: Operating income	<b>9,969,011,165</b>	9,455,680,365	9,201,297,066	8,761,321,186	8,830,860,795
Less: Total operating costs	<b>5,517,481,346</b>	5,320,013,514	5,268,508,210	5,700,480,153	6,070,494,998
Including: Operating costs	<b>4,574,394,775</b>	4,334,469,882	4,363,720,292	4,414,950,181	4,674,829,859
Taxes and levies	<b>168,977,540</b>	87,587,512	193,471,915	304,540,194	273,402,548
Selling expenses	<b>37,740,441</b>	11,891,705	26,762,163	15,804,477	13,806,381
Administrative expenses	<b>211,774,236</b>	187,898,191	182,065,269	185,570,228	212,989,851
Financial expenses	<b>524,560,684</b>	480,441,961	502,388,296	778,935,597	895,551,358
Impairment losses of assets	<b>-</b>	217,724,263	100,275	679,476	(84,999)
Credit impairment losses	<b>33,670</b>				
Add: Gains from changes in fair values (Losses are indicated by "-")	<b>158,299,349</b>	5,659,094	(2,674,334)	6,935,829	3,066,189
Investment income (Losses are indicated by "-")	<b>1,056,795,788</b>	586,872,528	472,966,663	444,068,189	352,287,304
Including: Income from investments in associates and joint ventures	<b>575,193,240</b>	494,404,818	438,033,337	340,332,126	310,937,218
Gains (losses) from disposal of assets	<b>(7,661,280)</b>	(5,659,248)	(3,570,996)	(628,207,181)	(2,606,420)
Other income	<b>1,974,866</b>	1,828,188	-	-	-
II. Operating profit	<b>5,660,938,542</b>	4,724,367,413	4,399,510,189	2,883,637,870	3,113,112,870
Add: Non-operating income	<b>21,943,624</b>	14,176,399	44,626,929	40,914,950	20,333,754
Less: Non-operating expenses	<b>30,241,723</b>	24,721,090	26,861,204	29,497,944	29,396,408
III. Total profit	<b>5,652,640,443</b>	4,713,822,722	4,417,275,914	2,895,054,876	3,104,050,216
Less: Income tax expenses	<b>1,176,929,505</b>	1,029,003,204	980,138,120	305,144,944	807,730,901
IV. Net profit	<b>4,475,710,938</b>	3,684,819,518	3,437,137,794	2,589,909,932	2,296,319,315
(I) Categorized by the nature of continuing operation					
1. Net profit (loss) from continuing operations	<b>4,475,710,938</b>	3,684,819,518	3,437,137,794	2,589,909,932	2,296,319,315
2. Net profit (loss) from discontinued operations	<b>-</b>	-	-	-	-
(II) Categorized by ownership:					
1. Profit or loss attributable to minority interests	<b>99,107,013</b>	96,957,661	91,073,927	83,280,524	68,411,484
2. Net profit (loss) attributable to owners of the Company	<b>4,376,603,925</b>	3,587,861,857	3,346,063,867	2,506,629,408	2,227,907,831

## SUPPLEMENTARY INFORMATION

For the Year ended 31 December 2018



### 4. THE GROUP'S SUMMARY OF PERFORMANCE, ASSETS AND LIABILITIES IN THE PAST FIVE ACCOUNTING YEARS (CONTINUED)

Item	2018	2017	2016	2015	2014
V. Other comprehensive income, net of tax	<b>550,433,418</b>	(161,480,129)	420,906,148	(67,406,144)	93,030,727
Other comprehensive income attributable to owners of the Company, net of tax	<b>456,918,744</b>	(161,480,129)	420,906,148	(67,406,144)	93,030,727
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss	<b>456,918,744</b>	-	-	-	-
1. Other comprehensive income that cannot be reclassified to profit or loss under equity method	<b>155,637,001</b>	-	-	-	-
2. Changes in fair value of investments in other equity instruments	<b>301,281,743</b>	-	-	-	-
(II) Other comprehensive income that will be reclassified to profit or loss	-	(161,480,129)	420,906,148	(67,406,144)	93,030,727
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method	-	(161,480,129)	420,906,148	(67,406,144)	93,030,727
2. Profit or loss from change in fair value of available-for-sale financial assets	-	-	-	-	-
Other comprehensive income attributable to minority interests, net of tax	<b>93,514,674</b>	-	-	-	-
VI. Total comprehensive income:	<b>5,026,144,356</b>	3,523,339,389	3,858,043,942	2,522,503,788	2,389,350,042
Total comprehensive income attributable to owners of the Company	<b>4,833,522,669</b>	3,426,381,728	3,766,970,015	2,439,223,264	2,320,938,558
Total comprehensive income attributable to minority interests	<b>192,621,687</b>	96,957,661	91,073,927	83,280,524	68,411,484
VII. Earnings per share:					
(I) Basic earnings per share	<b>0.8688</b>	0.7122	0.6642	0.4976	0.4422
(II) Diluted earnings per share	<b>N/A</b>	N/A	N/A	N/A	N/A

Unit: RMB

Item	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Total assets	<b>48,162,728,833</b>	42,532,491,238	36,282,573,529	36,476,039,663	37,481,216,616
Total liabilities	<b>18,808,871,891</b>	16,637,560,626	13,340,716,540	15,289,867,555	15,781,633,851
Minority interest	<b>3,216,659,210</b>	2,374,646,649	732,100,804	710,012,832	683,602,703
Total equity attributable to shareholders of the parent company	<b>26,137,197,732</b>	23,520,283,963	22,209,756,185	20,476,159,276	21,015,980,062

# CONFIRMATION OPINION TO 2018 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

Gu De Jun

Sun Xinbin

Yao Yong Jia

Chen Yanli

Chen Yongbing

Wu Xinhua

Hu Yu

Ma Zhongli

Zhang Zhuting

Chen Liang

Lin Hui

Zhou Shudong

Liu Xiaoxing

## Senior management Members

Li Jie

Bian Chuanshan

Ren Zhouhua

Zhu Zhiwei



江蘇寧滬高速公路股份有限公司

(Hong Kong Stock Exchange Stock Code: 00177)