



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 177)

*Driving Steadily Ahead
with Pragmatism and Innovation*

2009 Annual Report



Corporate Mission

Contributing to the harmony and development of the society through dedicated efforts to provide quality expressway services and continuous enhancement of corporate value.

Management Principle

Integrity, Responsible, Caring and Continuous Improvement.

Staff Spirit

To serve with sincerity; To team up with unity; To dedicate with a sense of duty.



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The Group's highway network

IMPORTANT

The board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of Jiangsu Expressway Company Limited (the "Company") warrant that there are no false representations or misleading statements contained in, or material omissions from, this report; and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

Mr. Shen Chang Quan, Chairman of the Company, Mr. Qian Yong Xiang, Director and General Manager of the Company, and Ms. Liu Wei, Deputy General Manager and Financial Controller of the Company, warrant the truthfulness and completeness of the financial statements in this annual report. The audit committee of the Company has reviewed the financial statements for the year.

Company profile

Jiangsu Expressway Company Limited (the “Company”) was incorporated as a joint stock limited company on 1 August 1992 in Jiangsu Province of the People’s Republic of China (the “PRC”). The current registered capital amounts to RMB5.038 billion.

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

The Company is the only listed company in the transportation and infrastructure industry of the Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). On 16 January 2001, the Company issued 150,000,000 A shares which were listed on the Shanghai Stock Exchange (“Shanghai Stock Exchange”). The Company established Sponsored Level I American Depositary Receipt Program (“ADR”) which came into force on 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31st December 2009, the total share capital of the Company was 5,037,747,500 shares.

The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in Jiangsu Province, including the Shanghai-Nanjing Section of G312, the Nanjing Section of Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2009, the highway mileage managed by the Company exceeded 700 km, with total assets amounting to RMB25.5 billion. The Company is one of the PRC’s largest listed companies in the toll road industry in terms of total assets managed.

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

The Company, Jiangsu Ninghu Properties Co., Ltd. (“Ninghu Properties”), Jiangsu Ninghu Investment Development Co., Ltd. (“Ninghu Investment”) and Jiangsu Guangjing Xicheng Expressway Co., Ltd. (“Guangjing Xicheng”) are collectively referred to as the “Group”.

Asset Structure of the Group



Jiangsu Expressway Company Limited



Financial and Operating Highlights

Financial statements for the year 2009 prepared by the Company in accordance with the PRC Accounting Standards for Business Enterprises (the "PRC Accounting Standards") and Hong Kong Financial Reporting Standards ("HKFRS") were audited by Deloitte Touche Tohmatsu Certified Public Accountants Limited and Deloitte Touche Tohmatsu, whose audited report expressed an unqualified opinion on the financial statements.

According to the PRC Accounting Standards, the financial data of the Group as at 31 December 2009 are as follows:

Item	RMB'000
Operating profit	2,728,540
Gross profit	2,711,901
Net profit attributable to equity holders of the listed company	2,010,972
Net profit attributable to equity holders of the listed company after non-recurring profit/loss	2,010,395
Net cash flow from operating activities	1,797,660

According to HKFRS, the financial data of the Group as at 31 December 2009 are as follows:

Item	RMB'000
Operating profit	5,586,887
Gross profit	2,753,112
Net profit attributable to equity holders of the listed company	2,052,184
Net cash flow from operating activities	1,798,632

Differences between the PRC Accounting Standards and HKFRS:

The differences between the statutory financial statements of the Group prepared in accordance with the PRC Accounting Standard and the financial statements of the Group prepared in accordance with HKFRS are summarized as follows:

Unit: RMB'000

	Net Profit		Net Asset	
	2009	2008	As at 31 December 2009	As at 31 December 2008
Under PRC Accounting Standards for Business Enterprises	2,061,424	1,599,424	17,206,797	16,407,736
HKFRS adjustments:				
- Valuation, depreciation, amortization of fixed assets and concession intangible assets	41,211	38,198	-1,292,362	-1,333,573
As reported in these financial statements prepared in accordance with HKFRS	2,102,635	1,637,622	15,914,435	15,074,163

The related statement of adjustments:

During the issue of A shares, the Company re-evaluated its fixed assets and concession intangible assets. The increased amount in evaluation has been incorporated in the respective financial statements prepared under the PRC Accounting Standards. However, such an increase in evaluation is not recognized under HKFRS. The discrepancy has resulted in the abovementioned adjustments.

Non-recurring profit/loss in 2009 comprises the following:

Unit: RMB'000

Item	Amount	Description
Loss from disposal of non-current assets	-15,453	Fixed assets written off and loss from disposal
Government subsidy	190	—
Gain from disposal of held-for-trading investment	950	Profit from held-for-trading investment such as stock
Gain from change in fair value	12,155	Gain from change in fair value of held-for-trading investment
Reverse of various impairment provision made in previous years	500	Reverse of provision for bad debts made
Except for the above items, other non-operating incomes and expenses, net	-1,377	—
Effects of income tax	3,922	Tax effect of non-recurring profit/loss
Effects of minority shareholders profit/(loss)	-310	—
Total	577	—

Principal accounting data of the Group under the PRC Accounting Standards for the past five years:

Unit: RMB'000

Item	2009	2008	Increase/ Decrease over previous year %	2007	2006	2005
Operating revenue	5,741,346	5,277,139	8.80%	5,309,835	4,100,824	2,232,679
Gross profit	2,711,901	2,101,741	29.03%	2,408,549	1,728,116	959,288
Net profit attributable to equity holders of the Company	2,010,972	1,554,011	29.41%	1,600,827	1,139,809	719,291
Net profit attributable to equity holders of Company after non-recurring profit/loss	2,010,395	1,556,241	29.18%	1,592,160	1,143,220	729,347
Net cash flow from operating activities	1,797,660	2,765,104	-34.99%	3,157,808	2,442,479	1,285,000

	End of 2009	End of 2008	Increase/ Decrease over end of previous year %	End of 2007	End of 2006	End of 2005
Total Assets	25,496,204	24,775,429	2.91%	25,937,848	26,459,242	27,245,981
Total liabilities	8,289,407	8,367,693	-0.94%	9,800,129	10,967,513	12,173,678
Shareholders' equity attributable to equity holders of the Company	16,756,571	15,968,921	4.93%	15,708,385	15,064,730	14,655,395

Financial and Operating Highlights

Principal financial indicators of the Group under HKFRS for the past five years:

Unit: RMB'000

Item	2009	2008	Increase/ Decrease over previous year %	2007	2006	2005
Revenue	5,586,887	5,133,732	8.83%	5,068,913	3,925,569	2,104,904
Gross profit	2,753,112	2,139,939	28.65%	2,450,053	1,762,326	990,608
Net profit attributable to equity holders of the Company	2,052,184	1,592,209	28.89%	1,642,331	1,174,111	668,028
Net profit attributable to equity holders of the Company after non-recurring profit / loss	2,051,607	1,594,439	28.67%	1,633,664	1,178,505	678,085
Net cash flow from operating activities	1,798,632	2,766,004	-34.97%	3,158,632	1,936,501	868,637

	End of 2009	End of 2008	Increase/ Decrease over end of previous year %	End of 2007	End of 2006	End of 2005
Total assets	24,203,842	23,441,854	3.25%	24,566,078	25,046,796	25,798,403
Total liabilities	8,289,408	8,367,691	-0.94%	9,800,129	10,967,513	12,173,678
Equity attributable to equity holders of the Company	15,464,208	14,635,347	5.66%	14,336,614	13,651,455	13,207,817

Principal financial indicators of the Group under PRC Accounting Standards for the past five years:

Unit: RMB

Principal financial indicator	2009	2008	Increase/ Decrease over previous year %	2007	2006	2005
Basic earnings per share	0.399	0.308	29.41%	0.318	0.226	0.143
Diluted earnings per share	0.399	0.308	29.41%	0.318	0.226	0.143
Basic earnings per share after non-recurring profit / loss	0.399	0.309	29.18%	0.316	0.227	0.145
Fully diluted return on net assets(%)	12.00	9.73	23.33%	10.21	7.57	4.91
Weighted average return on net assets (%)	12.55	10.03	25.12%	10.45	7.67	4.90
Net cash flow per share from operating activities	0.36	0.55	-34.99%	0.63	0.48	0.26

	End of 2009	End of 2008	Increase/ Decrease over end of previous year %	End of 2007	End of 2006	End of 2005
Net assets per share attributable to equity holder of the Company	3.33	3.17	4.93%	3.12	2.99	2.91

Principal financial indicators of the Group under the HKFRS for the past five years:

Unit: RMB

Principal financial indicator	2009	2008	Increase/ Decrease over previous year %	2007	2006	2005
Basic earnings per share	0.407	0.316	28.89%	0.326	0.233	0.133
Diluted earnings per share	0.407	0.316	28.89%	0.326	0.233	0.133
Basic earnings per share after non-recurring profit / loss	0.407	0.316	28.67%	0.324	0.234	0.135
Fully diluted return on net assets (%)	13.27	10.88	21.97%	11.46	8.60	5.06
Weighted average return on net assets (%)	13.95	11.26	23.89%	11.77	8.81	5.08
Net cash flow per share from operating activities	0.36	0.55	-34.97%	0.63	0.38	0.17

	End of 2009	End of 2008	Increase/ Decrease over end of previous year %	End of 2007	End of 2006	End of 2005
Net assets per share attributable to equity holders of the company	3.07	2.91	5.66%	2.85	2.71	2.62

Items calculated using fair value:

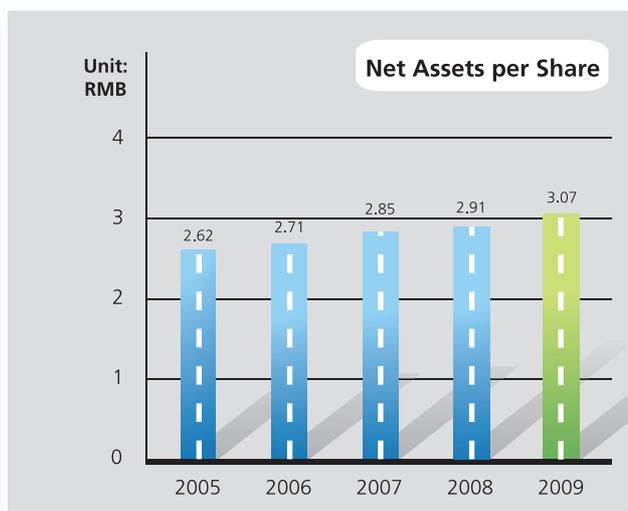
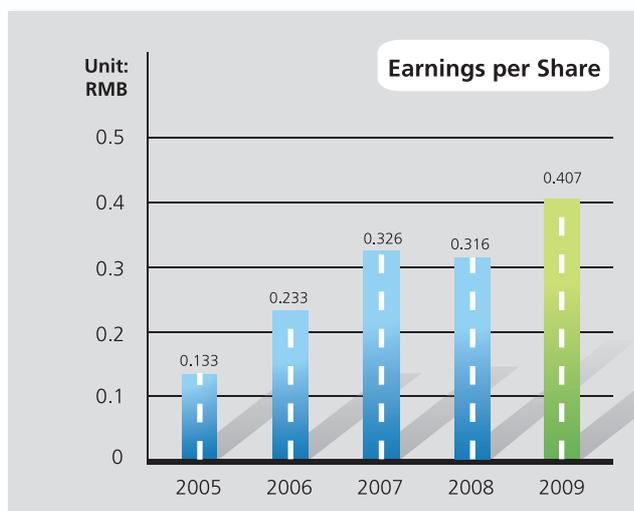
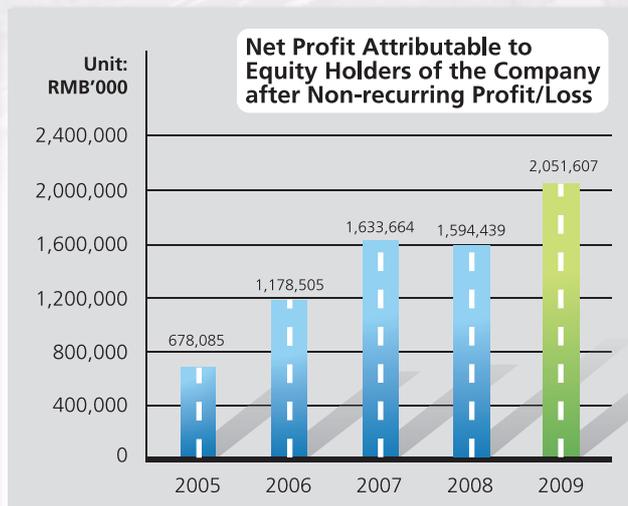
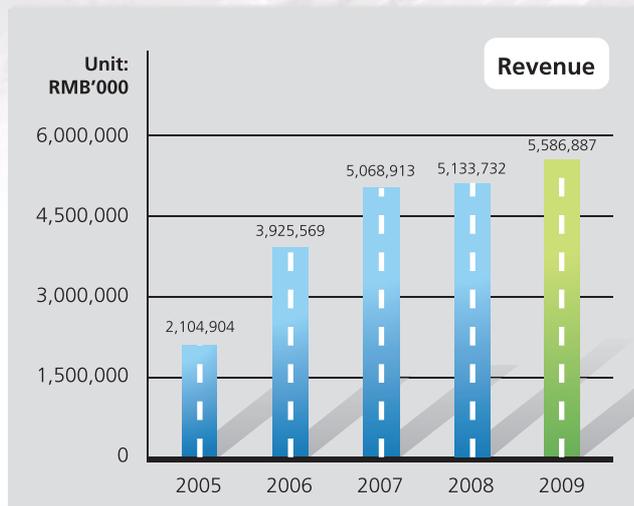
Unit: RMB'000

Item	Balance at the beginning of the period	Balance at the end of the period	Increase/decrease during the period	Impact to profit during the period
Investment in held-for-trading equity vehicles	22	—	-22	950
Investment in spot gold	39,945	52,100	12,155	12,155
Total	39,967	52,100	12,133	13,105

Financial and Operating Highlights

Changes of major financial indicators during the past five years:

(under HKFRS)



Major Events in 2009

Feb

- The Company launched in full gear the campaign of conserving energy, reducing consumption, lowering costs and increasing efficiency.

Mar

- Toll-by-weight standards for overloaded trucks were adjusted on March 1.
- The Company has announced the 2008 annual results and conducted roadshow in Hong Kong.

Apr

- The Company was named "National Model Organization" again. The Company was ranked No. 6 amongst the "Top 20 on Corporate Governance among Chinese Listed Companies".

Jun

- Members for the new sessions of the board of directors and the supervisory committee were elected, forming the sixth session of the board of directors and the supervisory committee.

Jul

- Toll-by-weight standards for trucks were adjusted since July 1.
- The Company changed to a joint-stock limited company with shareholders from Taiwan, Hong Kong, Macau and the Mainland.

Aug

- The Company announced 2009 interim results and conducted roadshows in Hong Kong.

Nov

- The Company was awarded the Gold Award of the "H-share Company Category" of the "Best Corporate Governance Disclosure Awards 2009" organized by the Hong Kong Institute of Certified Public Accountants.
- The Company was elected as one of top ten companies with the highest scores on corporate governance of the "Report on the HKIoD Corporate Governance Score Card" organized by The Hong Kong Institute of Directors.

Report of the Directors



The Company is responsible for the management and maintenance of its expressways to ensure safe and smooth traffic conditions. It is our duty and obligation to provide customers with a safe, fast and comfortable travelling environment. Toward such aim, in 2009, the Company undertook "Assuring Safety, Smoothness, Supply and Service", energy conservation and consumption reduction and detailed management enhancements as the footing and starting point for all its management work.

Report of the Directors

(I) Chairman's Statement



To the Shareholders:

In 2009, with a view to actively coping with the blow brought by the global financial crisis, the governments at the central and local levels took "Assuring Growth, People's Livelihood and Stability" as a priority and implemented a package of plans and policies, thereby effectively curbing the economic decline. The economy picked up gradually and has then been maintaining a stable and relatively rapid growth. The recovery in the macro economy had crucial impact on the development of the Group's operation. Meanwhile, two slight adjustments were made to the toll-by-weight standards for trucks on expressways in Jiangsu Province, thereby boosting growth in toll road revenue. The resulted favorable operating environment brought new development opportunities for the Group. The Group leveraged the opportunities, moved with the trends, and achieved progress in its various businesses. The operating results for the year were a new record high, and various operation and management objectives set by the Board at the beginning of the year were accomplished and exceeded.

• 2009 Results and Dividends

In 2009, the Group realized an operating revenue of RMB5,741,346,000, representing an increase of approximately of 8.80% over the same period

of 2008. Under China Accounting Standards for Business Enterprises, Profit attributable to equity holders of the listed company amounted to approximately RMB2,010,972,000 and earnings per share was approximately RMB0.3992, an increase of approximately 29.41% as compared to the same period of 2008. Under HKFRS, profit attributable to equity holders of the Company amounted to approximately RMB2,052,184,000 and earnings per share was approximately RMB0.4074, representing an increase of approximately 28.89% over the same period of 2008.

The Company still maintained a stable, high payout-ratio dividend policy to reward its shareholders. The Board proposes to distribute a 2009 final cash dividend of RMB0.31 per share (tax inclusive) to all shareholders, representing 87.34% of the profit available for distribution for the year. The proposal will be submitted to the 2009 annual general meeting for consideration and approval.

• Business Review

The Company is responsible for the management and maintenance of its expressways to ensure safe and smooth traffic conditions. It is our duty and obligation to provide customers with a safe, fast and comfortable travelling environment. Toward such aim, in 2009, the Company undertook "Assuring Safety, Smoothness, Supply and Service", energy conservation and consumption reduction and detailed management enhancements as the footing and starting point for all its management work. It devoted its efforts, as in the past, to doing well its operation management and service provision with a strong sense of social responsibility. It worked hard on the following: ensuring road quality and safe and smooth road traffic; reinforcing daily management and monitoring of toll collection; actively pushing forward energy conservation and consumption reduction to strictly control production and operating costs; and enhancing management work in a continuous and effective manner. With the basis of implementing various measures of its operation management work, the Group has effectively leveraged the favorable macro economic environment and the government's toll policies, and achieved stable growth for its principal business operation during the reporting period.

Report of the Directors

The Group conducted useful exploration and experiment on adequately diversifying its business structure while stabilizing its principal business, and substantial progress was made in the investment and development of the property business during the year. In 2009, with the State's implementation of a series of policies aimed at driving economic growth, the property market in Jiangsu Province saw a strong rebound. Under such situation, the Group capitalized on the opportunity, moved with the trends, and completed the sale task on the property projects developed by Ninghu Investment through active marketing efforts, thus contributing a new profit source to the Group during the reporting period. During the Year, the property business of Ninghu Properties was also launched successfully. The Company obtained land development rights for three projects through auctions, preliminarily forming a "multi-zone reserve, comprehensive development" operation layout along Shanghai-Nanjing Expressway.

The Board remained highly prudent in its property business development. It adhered to the "Selective" strategy and conducted full evaluation and attestation at the preliminary work stage. It has taken into account the reasonableness of prices and the controllability of risks as priority and has stringently evaluated the profitability of the projects to ensure they met investment return requirements. Meanwhile, the Board will also strengthen its control and supervision on future development and sales work of these projects so as to effectively avert investment risks.

In 2009, the Company pushed forward various aspects of internal management work steadily alongside its production and operation activities, with more focus on rationalizing the implementation flow of various systems and conducting effective analysis thereon, so as to correct existing problems and achieve innovation in its management mechanisms and approaches in view of new management needs. This was aimed to facilitate management improvements and to enhance its detailed management level based on a regulated management system. Meanwhile, the Company actively pushed forward enhancement work on its human resources placement and allocation system and implemented a management succession planning strategy. It also further improved its human resources allocation by strengthening the selection and cultivation of reserve management talents and professional technical talents. Through the implementation of the above measures, a foundation for its management team has been further consolidated which it will have positive and far-reaching impact on the long-term and healthy development of the Company. In 2009, the Company's good corporate governance and regulated and transparent information disclosure practices received once again widespread market recognition. Its corporate governance was ranked among top ten by the Chinese Academy of Social Sciences and The Hong Kong Institute of Directors respectively. The Company also received a Gold Award on information disclosure from the Hong Kong Institute of Certified Public Accountants.



• Development Environment and Strategies

— Development Environment

The approach of the State's macro-economic development was set at the 2010 Central Economic Work Conference. With the focus on expanding domestic demands and increasing people's consumption, it aims to maintain the continuity and stability of the macro-economic policies and will continue to implement proactive fiscal policies and moderately relaxed monetary policies. It is expected that China's economy will maintain the momentum of enjoying stable and relatively rapid growth for the coming period. On the regional economy, the "Annual Report on Overall Competitiveness of China's Provincial Economy" issued on 28 February 2010 released a recent new ranking on the competitiveness of provincial economies in the country, in which Jiangsu outrivald Guangdong for the first time and was ranked among the top three with Shanghai and Beijing, demonstrating its strong competitive edge. A continued promising economic environment has, therefore, enhanced the Group's confidence about the long-term and stable development of its businesses.

Since the promulgation of the “Adjustment and Revival Plan on the Automobile Industry” at the beginning of 2009, the implementation of relevant policies during the whole year has produced remarkable effect. The policies served as a major engine driving a rebound and rapid growth in the manufacturing and sale of automobiles in our country. In 2009, the number of domestically made vehicles exceeded 13 million both in terms of manufacturing and sale, representing a year-on-year increase of over 46%. This has enabled China to surpass Japan to become the world’s largest automobile producing country, and to overtake the USA to become the world’s largest market for new automobiles. Under the Plan, for at least the next two years, China will enter a period of expansive development for its automobile industry. The fast growth in the society’s car ownership will surely result in booming traffic demands, which will boost the growth of road operators in the long run.

A rapid development in the social economy will inevitably raise the requirements for building a safe, highly efficient and sustainable modern traffic system. The enhancement of expressway networks and the vigorous development of high-speed railways are the development trends for transportation infrastructure in the future. Under Jiangsu Province’s second-stage plan for expressway construction, until 2015, expressway networks featuring “Five Verticals, Nine Horizontals and Five Interlinks” will be formed with total mileage of 5,200 km, while the mileage of newly added expressways between 2010 and 2015 will be over 1,400 km. In terms of railway construction, some cities in Jiangsu Province will be equipped the conditions for operating high-speed train units toward the end of 2015, which may help achieve the objective of having one-hour travelling distance between Shanghai, Nanjing and Hangzhou and two-hour travelling distance between Shanghai and various provincial cities within the Yangtze River Delta region. The changed road network layout and the new transportation means will result in new competition and pressure for the future road operation of the Group.

In spite of this, there is no need for the Group to show excessive worries toward its future operating performance. Expressways, as an important component of the modern transportation system, serve as connection hubs for various economic and social activities, and are the best transportation means offering travelling convenience and mobility. In terms of transportation radius and convenience, goods transportation on expressways also has an irreplaceable advantage. As road networks are improving more and more, expressway transportation will have a significant efficiency advantage for goods travelling a distance between 200 and 800 km. Of course, road network improvements will bring new competition, but the functions and market positions of the quality road assets owned by the Group within the region’s road network are irreplaceable. Needless to say, during the process of road network improvements, new opportunities will also emerge for the Group’s business expansion.

— Development Strategies

Faced with a market environment with both opportunities and challenges in the future, the Group will continue to carry out prudent and stable strategies and actively explore new development opportunities, so as to push forward a continued, healthy and stable growth of the Company.

Stable Development Strategies for the Principal Business:

The Group will leverage its over ten years’ experience accumulated in toll roads construction, operation and management. It will continuously improve and enhance its management standards, ensure good road quality and smooth traffic capabilities, and reasonably control operating costs. With the above efforts as a base, the Group will effectively integrate its assets at an opportune period to exploit the growth potential for quality assets and raise the overall profitability of its assets. Meanwhile, it will fully capitalize on market opportunities by focusing on the analysis and studies of toll road businesses to identify suitable opportunities for further expansion of its principal business.

Proactive Financing Strategies:

Under the State’s moderately relaxed monetary policy, the Group will broaden its financing channels and lower its finance costs through proactive and effective financing arrangements and debt structure adjustments. It will also strictly control financial risks, maintain a reasonable capital structure, and ensure a sound financial position and adequate capital liquidity, thereby providing cash flow to meet debts obligations and adequate financial resources to support the long-term business development of the Group.

Report of the Directors

Prudent Project Investment Strategies:

Currently, initial progress was made in the diversification of the Group's business into the investment and development of the property sector. With implementation of the State's recent policies aimed at adjusting the property market, there are relatively big uncertainties facing the Group's property development in the short term. Indeed, the Board is always aware of such uncertainties. As regards the future development strategies for the property business, the Group will prudently assess market changes, set the development pace in an orderly and planned manner. It will enhance market competitiveness through strengthening core operation capabilities such as customer positioning, product design, sales and marketing, engineering quality and cost management. It will realize fast capital recovery, and raise its capabilities to avert risks. Through its stable and healthy operation, the Group will achieve a roll-over development to continuously contribute new income sources.



Despite the complexities and changes facing the Group's future development, the Board and management and all staff of the Group are confident that they will overcome various difficulties and challenges, and that they will continuously surpass themselves on the road ahead, marching towards a more brilliant future.

Shen Chang Quan

Chairman

Nanjing, the PRC

19 March 2010

(II) Investment of the Company

— Property project investment

In 2009, Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties"), a wholly-owned subsidiary of the Company, officially commenced its real property business after having completed its initial preparations and sufficient marketing research. Ninghu Properties seized the right timing for continuing with its "Selective" strategy aimed at considering whether prices were reasonable and risks were controllable and stringently assessing whether income from the relevant projects was feasible. Based on its judgement of the market, Ninghu Properties had also acquired, through auctions, land development rights of three projects covering a total land area of 484,496.4 square metres and involving a total consideration of approximately RMB1,436,904,000. As at the end of the reporting period, the actual land grant fees and taxes on deeds already paid amounted to approximately RMB1,271,520,000.

Details and progress of the projects:

- On 9 September 2009, by submitting quotations at an auction, Ninghu Properties won the bid for two lots at Hongyan Community of Baohua Town, Jurong City, with a total cadastral area of 333,088 square metres for a total consideration of RMB686,500,000. The two lots have a plot ratio of no more than 3.0, and are for commercial and residential purposes. The project is positioned as a luxury residential area. Initial preparations are underway for inviting tenders for planning proposals. Project planning will be determined and initial construction works will commence in 2010.

- On 29 September 2009, by submitting quotations at an auction, Ninghu Properties won the bids for seven lots in the core area of Huaqiao Town, Kunshan City, with a total cadastral area of 129,129.2 square metres for a total consideration of RMB295,404,000. The lots have a plot ratio of no more than 3.0, and are for commercial and residential purposes. The project will comprise a residential, hotel and commercial and business office complex. At present, applications for construction are being submitted and engineering design is being carried out for three lots. Pre-sale of parts of the project is expected to begin in 2010; initial development preparations and proposal discussions are underway for other lots.
- On 5 November 2009, by submitting quotations at an auction, Ninghu Properties won the bid for a lot at Xi Avenue, Xinshi Road, Canglang District, Suzhou (formerly the location of Suzhou High Technology School), with a total cadastral area of 22,279.2 square metres for a total consideration of RMB455,000,000. The lot has a plot ratio of less than 1.0, and is for urban residential purposes. The project involves a piece of scarce residential land in the central area of Suzhou, which will feature high-end residential products. Planning and design proposals are under review. Construction of the principal parts of the project and pre-sale are expected to begin in 2010.

(III) Implementation of Resolutions Approved at the General Meetings

— 2008 Profit Distribution Scheme

The profit distribution scheme was considered and approved at the 2008 Annual General Meeting: on the basis of a total share capital of 5,037,747,500 shares at the end of 2008, a cash dividend of RMB0.27 per share (tax inclusive) shall be distributed to all shareholders. The profit distribution scheme has been completed on 10 July 2009.

(IV) 2009 Profit Distribution Scheme Proposed by the Board

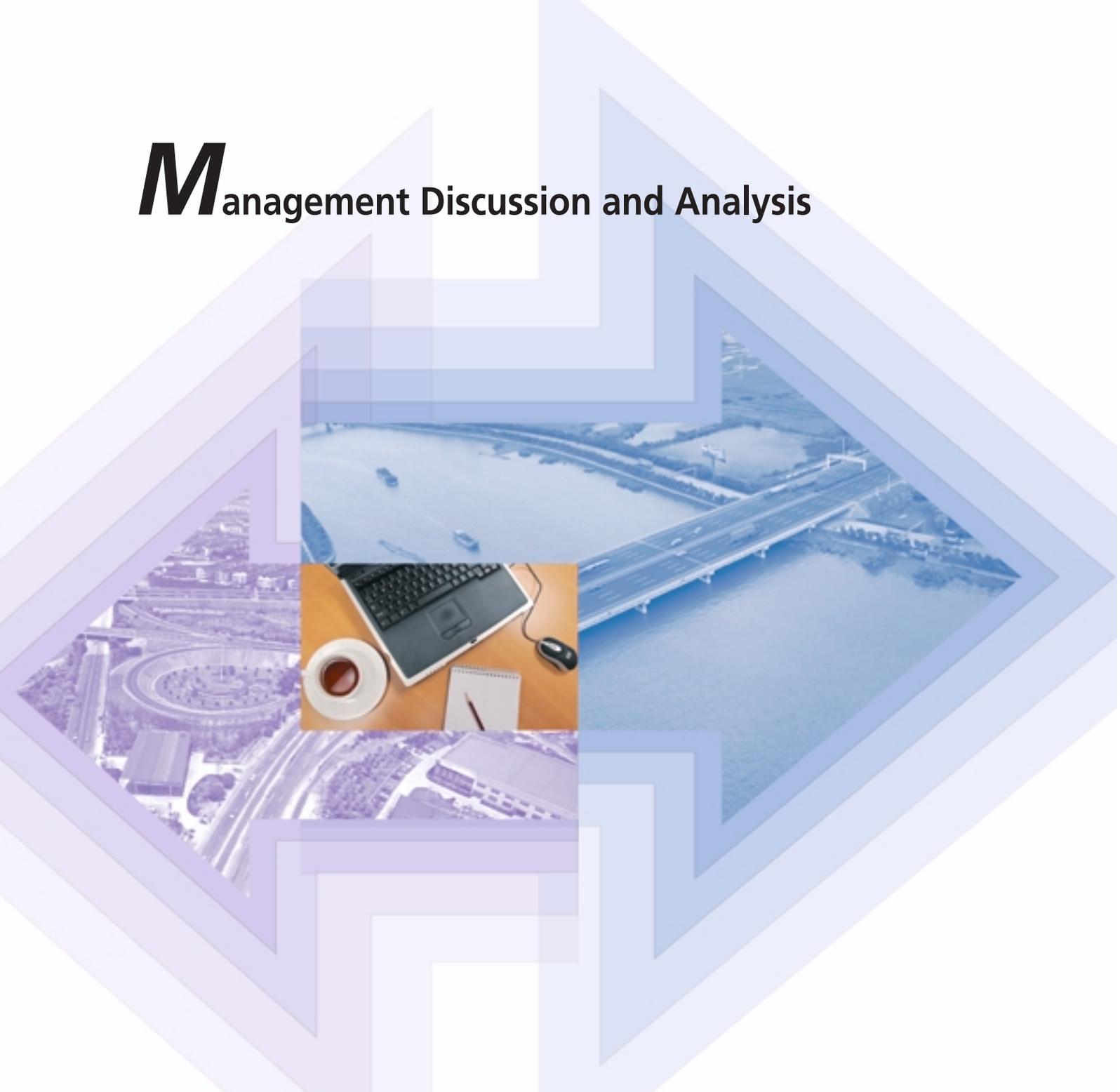
According to the audited results reported by auditors, the Group realized a net profit attributable to the parent company of RMB2,010,972,000 in 2009 under the PRC Accounting Standards and earnings per share was RMB0.3992. Under HKFRS, net profit was RMB2,052,184,000, and earnings per share was RMB0.4074. Pursuant to relevant provisions of the Ministry of Finance and the Articles of Association of the Company, in the event of any discrepancy between the profit of the Company calculated in accordance with the PRC Accounting Standards and that as calculated in accordance with HKFRS, whichever is lower will prevail.

For 2009, based on the total share capital of the Company of 5,037,747,500 shares, the Board has proposed to pay a final dividend of RMB0.31 (tax inclusive) per share to all shareholders. The aforementioned profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2009 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

As stipulated in the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which are Overseas Non-resident Enterprises (Guoshuihan No. 897 (2008)), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-Share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%. After receiving dividends, Non-resident Enterprise may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by a person who has obligation for withholding or paying dividend and provide information to prove it is a actual beneficiary under the requirement of taxation treaties (arrangement). After the relevant tax authorities have verified that there is no error, it shall refund tax with reference to the tax levied and the difference in the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement).

As stipulated in the "Circular on Some Policy Questions Concerning Individual Income Tax" (Cai Chui Zi [1994] No.20), the dividends and bonuses received by foreign individuals from foreign investment enterprise shall be temporarily exempted from individual income tax.

Management Discussion and Analysis



In 2009, the management of the Company led all the staff to carry out its operation aggressively but steadily and to proceed practically with various tasks in line with the operations management objectives set by the Board. It strove to cope with numerous challenges and obstacles as a result of the changes in the market environment by enforcing an array of specific and effective strategies and measures. Consequently, remarkable achievements were made in road operation and management, internal integrated management and project investment management.

Management Discussion and Analysis

(I) Review of Operations Management



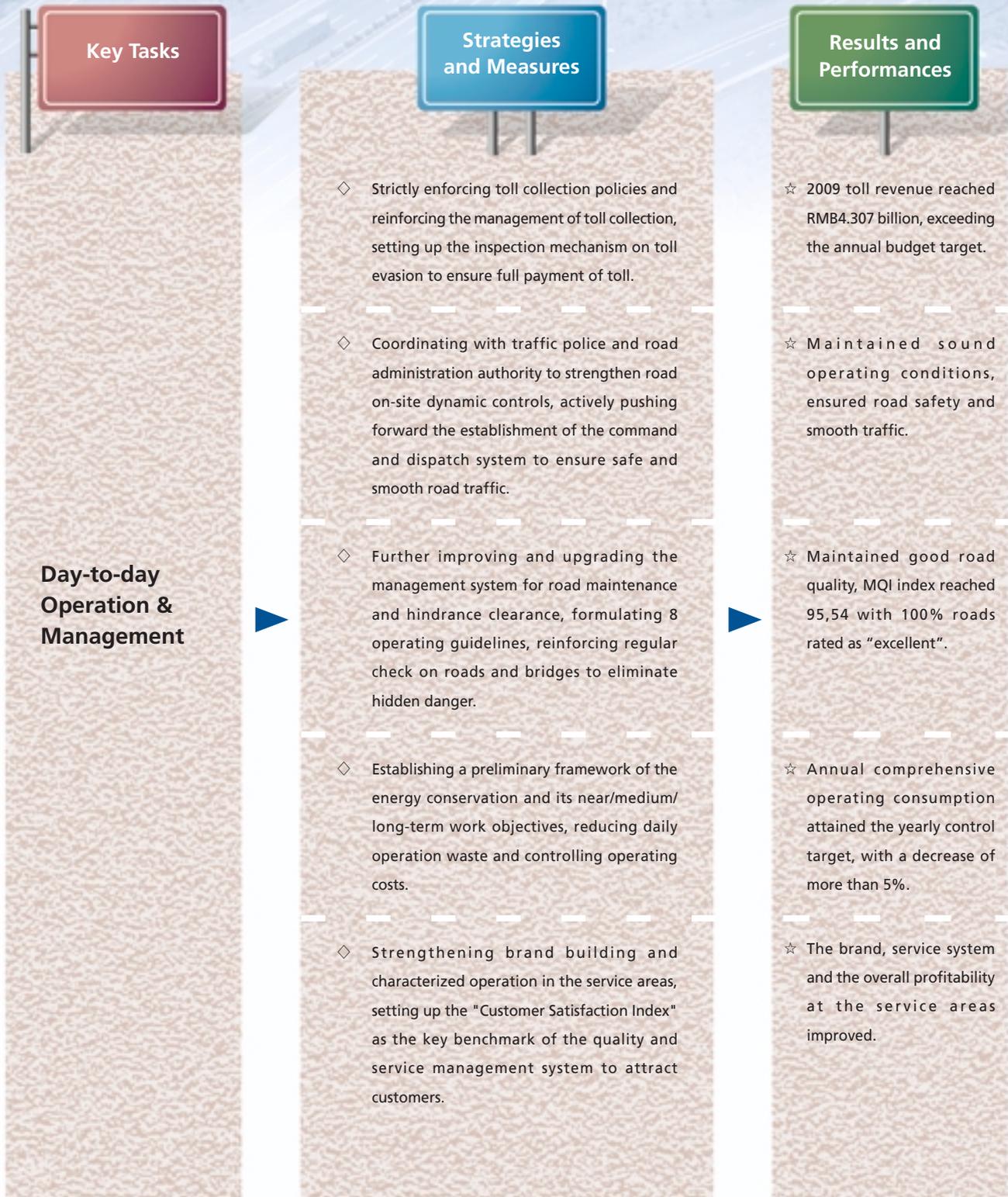
During the reporting period, the Group realized aggregated total operating revenues of approximately RMB5,741,346,000, up approximately 8.80% over the same period of 2008, of which toll revenue amounted to approximately RMB4,306,679,000, representing an increase of approximately 7.48% as compared to the same period of 2008. Revenue from ancillary services amounted to approximately RMB1,211,654,000, down approximately 1.65% from a year ago. Revenue from other operations was approximately RMB223,013,000, up approximately 481.12% from the same period of 2008. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB2,728,540,000 during the reporting period, an increase of approximately 29.47% over the same period of 2008. Net profit attributable to equity holders of the Company was approximately RMB2,010,972,000 and earnings per share was approximately RMB0.3992, an increase of approximately 29.41% over the same period of 2008. Under HKFRS, profit after taxation attributable to the equity holders of the Company was approximately RMB2,052,184,000 and earnings per share was approximately RMB0.4074, an increase of approximately 28.89% over the same period of the previous year.

During 2009, amid a complex and changing operating environment, the operating revenue and operating results of the Group have exceeded the planned targets. Major reasons for the growth of results are as follows:

- Benefiting from a rapid recovery of the macro economy and two toll-by-weight adjustments for trucks in Jiangsu Province, revenue from the principal toll road business achieved satisfactory growth with the major contribution to growth coming from Shanghai-Nanjing Expressway, the core asset of the Group.
- Ninghu Investment, a subsidiary of the Company, has completed the sales of its property project, thereby enabling the revenue from other businesses to contribute new profits for the Group.
- Effective measures were employed to reasonably control various operation management costs. Benefiting from the State's relatively relaxed monetary policies and the Company's implementation of aggressive finance management and financing strategies, financial expenses decreased significantly.
- During the Year, investment income realized from associate companies increased by 14.84% year-on-year, contributing to the Group's profits.

In 2009, the management of the Company led all the staff to carry out its operation aggressively but steadily and to proceed practically with various tasks in line with the operations management objectives set by the Board. It strove to cope with numerous challenges and obstacles as a result of the changes in the market environment by enforcing an array of specific and effective strategies and measures. Consequently, remarkable achievements were made in road operation and management, internal integrated management and project investment management. The Company also maintained good road quality and played an active role in encouraging energy saving and lowering consumption, thereby elevating the overall management standards. Specific strategies and measures carried out in relation to its key tasks, together with their results and performance, are set out below:

Management Discussion and Analysis



Key Tasks

Internal Integrated Management

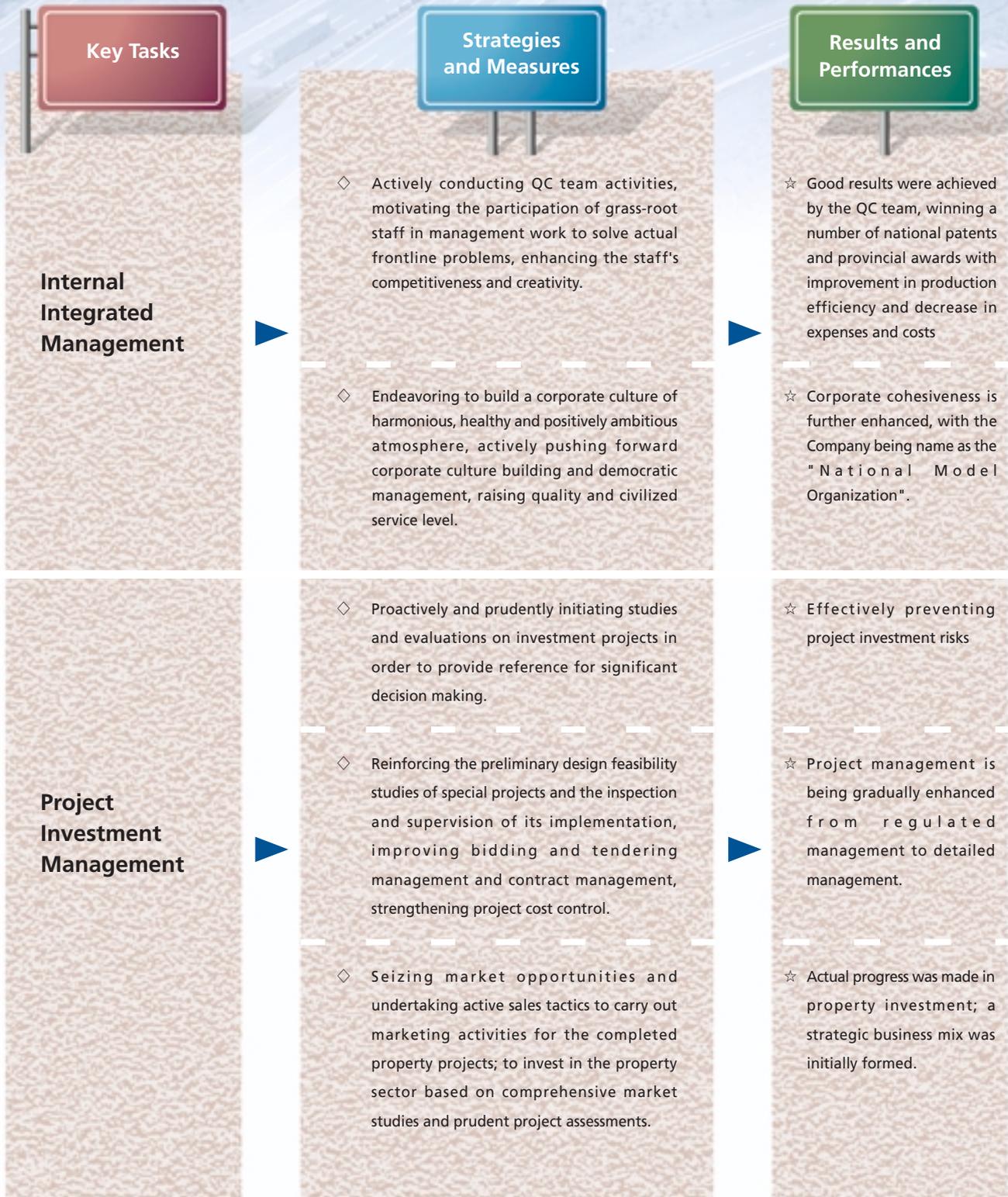
Strategies and Measures

- ◇ Modifying and improving documentations for the "certification system" and the internal control system systematically, emphasizing more the sorting of various systems' implementation flow and the analysis of implementation effectiveness, correcting existing problems, realizing innovation in management mechanism and methods.
- ◇ Pursuant to the requirements of the regulators, continuously improving the Company's governance system and its operation flow, reinforcing communication with investors, increasing the quality and transparency of information disclosure.
- ◇ Flexibly applying financing policies, actively expanding financing channels, endeavoring to lower finance costs and enhancing profitability by adjusting lending deadlines of current assets, issuing low-cost short-term trust schemes, rationalizing debt structure and debt deadlines, and raising capital utilization efficiency.
- ◇ Further optimizing human resources allocation, actively boosting improvements on the staff recruitment and allocation system, implementing the strategy of succession planning for management staff, and reinforcing the selection and cultivation of reserve management talents and professional technical talents.

Results and Performances

- ☆ The Company raised the detailed management standards based on the regulated management, effectively preventing various operation and management risks
- ☆ The Company's corporate governance was ranked among the top ten by the Chinese Academy of Social Sciences and The Hong Kong Institute of Directors, and the Company also received a Gold Award from the Hong Kong Institute of Certified Public Accountants for information disclosure.
- ☆ The composite borrowing cost of the Group for 2009 was 4.83%, down 1.23 percentage-point year-on-year, and finance cost decreased by RMB155,363,000 year-on-year.
- ☆ A fine scientific HR management system is gradually being established.

Management Discussion and Analysis



(II) Analysis of Business Operations

1. Toll Road Business

(a) Regional Economic and Transportation Environment in 2009

- **Macro-economic Environment**

From 2008 to the beginning of 2009, the financial tsunami triggered by the US subprime mortgage crisis engulfed the whole world, resulting in a direct impact on the China's real economy. Facing the tough challenge from the global financial crisis, the Chinese government has successively initiated a series of proactive measures aimed at stimulating domestic demands and economic growth, which effectively curbed the decline in economic growth, and the China's economy realized V mode reversion achieving an annual GDP growth rate of 8.7%, while the growth exhibited an accelerating trend on a quarter-by-quarter basis. The "Secure Growth" policy achieved better-than-expected results, and the foundation for an economic recovery was consolidated.

Jiangsu Provincial Government conscientiously implemented a series of policies and measures under the State's directive of "Secure Growth, Expand Domestic Demands and Adjust Structure", actively dealing with the unfavorable impact from the financial crisis. A stabilizing and rebounding trend started to emerge on the province's economic development: its economic growth rate dropped to the bottom in the first quarter, stood firm and rebounded in the second quarter, and accelerated gradually during the second half of the year with a stable momentum continuously strengthened. The annual GDP realized was up by 12.4% year-on-year, basically maintaining the growth rate in 2008.

GDP Growth Rate	Shanghai	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou
2009	8.2%	11.5%	13.7%	11.7%	11.6%	11.5%
2008	9.7%	12.1%	13.6%	12.4%	12.4%	12.5%
2007	13.3%	15.6%	15.5%	15.6%	15.3%	16%

The rapid recovery of both the Chinese and regional economies is the key factor in boosting traffic volume growth on the Group's road and bridge assets. Rapid and active economic activities drove a gradual rebound in traffic demands, particularly goods transportation demand. In the first quarter of 2009, the proportion of goods vehicles on all road sections of the Group was down by 5 percentage-points year-on-year, the lowest level in recent years. The proportion of trucks on Shanghai-Nanjing Expressway, the core asset of the Company, for the first quarter was approximately 26.6%, down by 4.8 percentage-points year-on-year. The proportion gradually moved up to 31.7% in the second quarter, but the average daily traffic volume of trucks from January to June still decreased by 6.74% year-on-year, with the average daily traffic volume of trucks accounting for approximately 29.2% of total daily traffic, down by 4.1 percentage-points year-on-year. In the second half of the year, as the growth of the regional economy accelerated, average daily aggregated traffic volume of trucks also grew rapidly. Average daily aggregated traffic volume of trucks from July to December grew by 13.06% year-on-year, with the daily traffic volume of trucks accounting for 33.5% of total daily traffic. The normal operating conditions were resumed for vehicle type structure.

- **The Transportation Environment**

Rapid economic growth drove a steady growth of the transportation industry. In 2009, passenger and cargo transportation volumes achieved in Jiangsu Province rose by 9.5% and 9.2% respectively; and passenger and goods turnovers were up by 8.1% and 8.5% respectively. Cargo throughput by ports was 1.33 billion tons, representing an increase of 14.2%. Of this throughput, cargo throughput due to foreign trade was 0.2 billion tons, up 24.5%. Passenger and cargo transportation by means of highways accounted for approximately 94.9% and 64.6% of the respective total transportation volumes of all means. Despite a slight decline year-on-year, road transportation still took a predominant position in the market.

At the end of 2009, total traffic mileage of expressways amounted to 3,755 km in the province, with expressways amounting to 30 km opened during the year. No other new competitive road sections within the Group's operating territory were completed and opened to traffic, and therefore the road network was stable.

In January 2009, the State Council issued the "Adjustment and Revitalization Plan for the Automobile Industry". Driven by various policies of the country aimed at expanding automobile consumption, the domestic automobile market picked up swiftly with a boom in the manufacturing and sale of civilian vehicles. At the end of 2009, the vehicle fleet for the province's civilian use

Management Discussion and Analysis

totaled 4,581,000, an increase of 22.8% or 849,000 vehicles year-on-year and a growth rate of 97.5% year-on-year. At the end of the year, the private vehicle fleet totaled 3,382,000, an increase of 28.5% or 749,000 vehicles year-on-year and a growth rate of 106% year-on-year, of which the private sedan fleet was 2,165,000, an increase of 35.2% or 564,000 vehicles year-on-year and a growth rate of 59.3% year-on-year.

Vehicle fleet ('000 vehicles)	Shanghai	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou
End of 2009	147.3	67.1	15.7	35.9	60.1	101.6
End of 2008	132.1	54.2	12.9	29	49.5	84
Growth Rate	11.5%	23.8%	21.7%	23.8%	21.4%	20.9%

The rapid growth of the vehicle fleet in the region obviously boosted traffic volumes on expressways. During the first half of 2009, despite a weak macro economy and a fall in traffic volume of trucks, traffic volumes of passenger vehicles still recorded good growth for the road network within the Group's operating territory. In particular, the daily traffic volume of passenger vehicles on Shanghai-Nanjing Expressway from January to June increased by 12.95% year-on-year, while the yearly daily traffic volume of passenger vehicles was up 13.24%, or 9.96 percentage-points higher than the growth rate for trucks.

• Toll Road Policy Circumstance

In 2009, the domestic toll expressway policies remained basically stable. The Scheme for Price and Tax Reforms of Refined Oil implemented in 1 January 2009 has waived six administrative charges, including road maintenance fees, and adjusted the consumption tax of refined oil. As refined oil prices were relatively stable in the year, the impact on road traveling was limited. Meanwhile, pursuant to the Scheme for Fuel Tax Reforms, Jiangsu Province abolished 131 toll stations along government debt-repaying Class II highways starting from 1 March 2009, of which 31 were located in the southern Jiangsu road network within the Group's operating territory. But generally, there are substantial differences in terms of functionality and service targets between expressways and Class II highways in Jiangsu, particularly southern Jiangsu, and there is little competition between the two. Since the abolition of the Class II toll stations, except for certain impact upon several toll stations along G312, it did not result in obvious diversions from the Group's expressways.

According to the arrangement of the Ministry of Communications, in 2009, the "Green Passage" for transportation of fresh and live stock continued to be implemented on "one vertical and two horizontal" expressways (the Xuzhoudong Raocheng Section of Jingfu Expressway, Lianxu Expressway and the Jiangsu Section of Shanghai-Nanjing Expressway) within the province, and there will be no tolls chargeable on vehicles carrying such fresh and live stock falling in the specified scope. During the year, the accumulated toll exempted for vehicles on "Green Passage" was approximately RMB120,760,000, accounting for 3.4% of total toll income and an increase of 198% from the same period of the previous year. On 1 January 2010, the Ministry of Communications issued the Notice on Further improvement and Implementation of the "Green Passage" for the Transportation of Fresh and Live Stock, which has confirmed the continued implementation of the "Green Passage" free toll policy but has also laid down more stringent criteria for trucks to entitle to free passage.



In 2009, appropriate adjustments on tolling standards were made to toll roads in the province. To further curb vehicle overloading, from 1 March 2009, charging standards for overloaded trucks were raised on expressways in Jiangsu Province. Such adjustment of toll standards had positively boosted toll income since its implementation, and has significantly eased the serious overloading problem. In 2009, the average proportion of overloaded trucks to total truck traffic volume on Shanghai-Nanjing Expressway was approximately 16.7%, of which 87.56% were vehicles that exceeded loads of less than 30%.

On 1 July 2009, the toll-by-weight standards for trucks on the inter-network toll expressways in the province were re-adjusted: the minimum toll standard for trucks of 10 tons or more was adjusted from RMB0.04/ton-km to RMB0.05/ton-km. The Group's expressways were covered in this re-adjustment, and so the new toll standards have boosted the Group's toll income since their implementation.

(b) Operations of Road and Bridge Assets

In 2009, under the combined impact of the above-mentioned regional economic, traffic and transportation and policy environment, total toll revenue from roads and bridges amounting to approximately RMB4,306,679,000 was realized, representing an increase of approximately 7.48% as compared to the same period of 2008. Total toll revenue represented 75.01% of the Group's total operating revenue. The operating performance of each road and bridge project is as follows:

Comparison of average daily traffic volumes and toll revenues

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	2009	2008	Change%	2009	2008	Change%
Shanghai-Nanjing Expressway	50,906	46,315	9.91	9,732.2	8,752.8	11.19
Shanghai-Nanjing Section of G312	22,337	27,924	-20.01	366.1	488.7	-25.09
Nanjing Section of Nanjing-Lianyungang Highway	5,230	6,018	-13.10	111.7	113.4	-1.50
Guangjing Expressway	34,201	34,971	-2.20	563.4	572.4	-1.57
Xicheng Expressway	36,337	36,808	-1.28	1,025.7	1,020.2	0.54
Jiangyin Yangtze Bridge	40,021	39,599	1.07	1,915.1	1,981.1	-3.33
Sujiahang Expressway	30,067	27,137	10.80	2,174.9	1,870.4	16.28

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

Road/Bridge	Ratio of traffic volume of passenger /cargo		Ratio of toll revenue of passenger/cargo		Average Daily Full-trip Revenue per vehicle (RMB/Vehicle)		
	2009	2008	2009	2008	2009	2008	Change %
Shanghai-Nanjing Expressway	68.6:31.4	66.6:33.4	47.5:52.5	46.6:53.4	191.2	189	1.16
Shanghai-Nanjing Section of G312	54.5:45.5	51.2:48.8	35.2:64.8	33.4:66.6	16.4	17.5	-6.29
Nanjing Section of Nanjing-Lianyungang Highway	49.5:50.5	49.5:50.5	28.3:71.7	30:70	21.4	18.8	13.83
Guangjing Expressway	66.2:33.8	63.3:36.7	43.9:56.1	43.1:56.9	16.5	16.4	0.61
Xicheng Expressway	68.7:31.3	66.4:33.6	49.3:50.7	48.3:51.7	28.2	27.8	1.44
Jiangyin Yangtze Bridge	67.7:32.3	65.2:34.8	41.4:58.6	39.2:60.8	47.9	50	-4.20
Sujiahang Expressway	58.4:41.6	57:43	38.6:61.4	39:61	72.3	68.9	4.93

Management Discussion and Analysis

— Shanghai-Nanjing Expressway

In 2009, Shanghai-Nanjing Expressway realized a total toll revenue of approximately RMB3,552,245,000, representing approximately 82.48% of the Group's total toll revenue and approximately 61.87% of the Group's total operating revenue. Its average daily traffic volume and average daily toll revenue reported increases of approximately 9.91% and 11.19%, respectively over the corresponding period of the previous year. Impact from speed train unit diversions and other road networks has basically been stabilized during the year. Vehicle mix of trucks of the year decreased by 2 percentage points year-on-year due to the impact of the economic crisis in the beginning of the year. However, following the rapid recovery of truck traffic in the second half of the year and the



adjustment of toll-by-weight standards for trucks on 1 July, average daily full-trip revenue per vehicle increased by 8.47% from RMB183.1 in the first half of the year to RMB198.6 in the second half of the year, and average daily full-trip revenue per truck increased by 8.76% from RMB304.8 in the first half of the year to RMB331.5 in the second half of the year.

— Shanghai-Nanjing Section of G312

In 2009, the operating environment of G312 was difficult due to the increase in local detour roads and the fact that Jiangsu Province has cancelled toll collection for government debt-repaying Class II highways since 1 March 2009. Some of the nearby Class II highways have diverted traffic from G312. As a result, traffic volume, revenue and gross profit margin of G312 have further decreased during the reporting period.

— Nanjing Section of Nanjing-Lianyungang Highway

In 2009, the operating condition of the Nanjing Section of Nanjing-Lianyungang Highway has improved gradually. In particular, after the adjustment of toll-by-weight standards for trucks, the proportion of trucks and average daily revenue have increased month-by-month. During the reporting period, although average daily traffic decreased by 13.1% year-on-year, average daily revenue decreased by 1.5% only with revenue per vehicle increased by 13.8% year-on-year.

— Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge

The diversion impact on Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge arising from the opening-to-traffic of Sutong Bridge in May 2008 was significant during the first half of 2009. However, following the rapid recovery of the economic environment and the adjustment to toll-by-weight standards for trucks, average daily traffic and toll revenue of the three projects showed signs of growth year-on-year. The operating condition of the year as a whole was close to the level of 2008.

— Sujiahang Expressway

Following the opening-to-traffic of Sutong Bridge linking the north end of Sujiahang Expressway, a run-through of the complete coastal passage is made available, helping to boost a significant increase in traffic volume on the expressway during the period. Average daily full-trip traffic volume and average daily toll revenue increased by approximately 10.80% and 16.28% year-on-year, respectively.

2. Ancillary Services at Service Areas

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

In 2009, the Company realized a revenue of approximately RMB1,211,654,000 from ancillary services, a decrease of approximately 1.65% over the corresponding period of the previous year. Of this revenue, revenue from petroleum product sales was approximately RMB1,063,471,000, a decrease of approximately 2.4% over the corresponding period of the previous year, representing 87.77% of total ancillary services revenue. The decrease in sales was mainly attributable to the drops in petroleum product sales and petroleum prices. Revenue from other businesses including food and beverage, retail sales of goods and hindrance clearance services was RMB148,183,000, an increase of approximately 4.06% over the corresponding period of 2008.



3. Other Business Operations

Other businesses of the Company mainly comprise the project development and operations of two subsidiaries, Ninghu Properties and Ninghu Investment.



Ninghu Properties is principally engaged in real property development and operation. In 2009, the real estate business formally commenced. The Company has acquired three plots of lands, including the land in Hongyan Community, Baohua Town, Jurong City; the land in the Huaqiao core business district in Kunshan; and the land in Xinshi Road, Canglang District, Suzhou. During 2009, the company focused on the preliminary planning of the three projects and therefore, no operating revenue has yet been realized.

Ninghu Investment is principally engaged in the distribution of advertising media along Shanghai-Nanjing Expressway and in other investments. In 2009, with the new sales operation of Kunshan real estate project, it has realized a revenue of RMB219,756,000, up 517.93% year-on-year. Among the revenue, revenue from the advertising business amounted to RMB44,107,000, up 24.03% year-on-year; while revenue from the sales of properties amounted to RMB175,649,000.

In 2009, the Company realized revenue from other business operations amounting to RMB223,013,000, up 481.12% year-on-year.

Management Discussion and Analysis

4. Operations and Results of Subsidiaries

Name of Company	Scope of Business	Investment cost (RMB' 000)	Equity of the Company (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)	Percentage over the Company's Net Profit (%)	Year-on-year Increase / decrease on net profit (%)
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	Construction, management, maintenance and toll collection of Guangjing Expressway and Xicheng Expressway in Jiangsu	2,125,000	85	3,035,324	2,954,777	314,928	15.28	5.30
Jiangsu Ninghu Investment Development Co., Ltd.	Investment in various infrastructure, industrial and assets investment	95,000	95	264,933	195,465	64,245	3.12	480.93
Jiangsu Ninghu Properties Co., Ltd.	Development and operation and consultancy of properties	200,000	100	1,271,420	201,399	-955	-0.05	-140.57

Explanation for the Changes in Businesses and Profits of Subsidiaries

- With enhanced control over costs and expenditures, Guangjing Xicheng has achieved good results in lowering costs and enhancing efficiency during the year. Net profit increased by 5.3% although toll revenue slightly decreased year-on-year.
- Net profit of Ninghu Investment increased significantly by 480.93% due to a combination of factors including the sales completion of the real estate project which has increased net profit by RMB37,158,000, accounting for 57.84% of the company's net profit; the scale of the advertising business increased and revenue generated increased by 24.03%; and the change in the valuation of held-for-trading financial assets which has led to an investment gain of RMB12,155,000 at the end of the year.
- In 2009, Ninghu Properties started to invest in projects and commence preliminary work. As such no profit was realized.

(III) Analysis of Operating Results and Financial Conditions

1. Analysis of Operating Results

— Change in operating revenue and costs

In 2009, the Group recognized an aggregate operating revenue of approximately RMB5,741,346,000, representing an increase of approximately 8.80% as compared to the corresponding period of 2008. Operating costs amounted to approximately RMB2,493,621,000 in aggregate, representing an increase of approximately 0.79% as compared to the corresponding period of 2008, leading to an increase of 3.45 percentage points of the Group's consolidated gross profit margin. As a result, profitability further enhanced. The structures of revenues and costs are set out below:

Item	Operating Revenue		Operating cost		Gross Profit Margin (%)	
	2009 (RMB'000)	Change over the previous year (%)	2009 (RMB'000)	Change over the previous year (%)	2009	Change over the previous year (%)
Toll road	4,306,679	7.48	1,183,009	-5.48	72.53	Increased by 3.77 percentage points
Shanghai-Nanjing Expressway	3,552,245	10.89	764,930	2.58	78.47	Increased by 1.75 percentage points
Shanghai-Nanjing Section of G312	133,644	-25.28	253,026	-15.15	-89.33	Decreased by 22.62 percentage points
Nanjing Section of Nanjing-Lianyungang Highway	40,788	-1.69	19,338	-12.27	52.59	Increased by 5.72 percentage points
Guangjing Xicheng Expressway	580,002	-0.49	145,715	-21.52	74.88	Increased by 6.73 percentage points
Ancillary Service	1,211,654	-1.65	1,166,548	-3.49	3.72	Increased by 1.83 percentage points
Other Services	223,013	481.12	144,064	946.76	35.40	Decreased by 28.74 percentage points
Total	5,741,346	8.80	2,493,621	0.79	56.57	Increased by 3.45 percentage points

Reasons for and analysis of changes:

- The gross profit margin of Shanghai-Nanjing Section of G312 decreased by 22.62 percentage points year-on-year as a result of continuous decrease of toll revenue.
- During the year, with the addition of the real estate sales operations of Ninghu Investment, and while the profit margin of real estate sales operations was lower than that of the advertising business, the gross profit margin of other businesses decreased by 28.74 percentage points year-on-year.

Management Discussion and Analysis

Operating costs of toll road operation	2009 RMB'000	Percentage over total operating costs (%)	2008 RMB'000	Percentage over total operating costs (%)	Change %
Depreciation and amortization	759,562	64.21	810,783	64.78	-6.32
Costs on toll collection operation	324,315	27.41	315,297	25.19	2.86
Costs on roads and bridges maintenance	74,774	6.32	106,376	8.50	-29.71
System maintenance	24,358	2.06	19,121	1.53	27.39
Total	1,183,009	100	1,251,577	100	-5.48

Reasons for and analysis of changes:

- Depreciation and amortization decreased by 6.32% or RMB51,221,000. The increase in the amortization of operating rights of roads resulted from increased traffic on Shanghai-Nanjing Expressway has basically offset the renovation costs of part of the road surface in previous years which was amortized in 2008. During the financial year, there were no relevant costs. Traffic volumes of the other three roads decreased to various extents, and so amortization of operating rights of roads decreased year-on-year.
- Costs on toll collection increased by 2.86% or RMB9,018,000 mainly due to an increase in labor costs.
- Costs on roads and bridges maintenance decreased by 29.71% or RMB31,602,000 mainly due to the fact that Guangjing Xicheng conducted special maintenance on road surface during 2008. There were no relevant costs..
- Engineering and electronic system maintenance costs increased by 27.39% or RMB5,237,000 mainly due to factors including maintenance of the toll collection system, expansion of the monitoring and control systems and modification of the toll collection pathway.

Investment Income

In 2009, the Group's investment income amounted to RMB175,362,000, up 14.84% year-on-year. Among the income, investment income contributed by associates, in which the Group had equity investments, amounted to approximately RMB174,212,000, representing an increase of 15.06% as compared to 2008 and accounting for approximately 8.45% of the Group's net profit. Operating results of major companies in which the Group had equity investments are as follows:

Company name	Principal business	Investment cost (RMB'000)	Equity interest %	Net profit RMB'000	Share of profits of associates (RMB'000)	Proportion of net profit attributable to the Company %
Suzhou Sujiahang Expressway Co., Ltd.	Management and operation of the Jiangsu Section of Sujiahang Expressway	526,091	33.33	212,733	70,904	3.44
Jiangsu Kuailu Motor Transport Co., Ltd.	Road transportation, automobile repair and sales of automobiles and automobile parts and components	49,900	33.2	4,023	-407	-0.02
Jiangsu Yangtze Bridge Co., Ltd.	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	380,240	101,372	4.92

- Benefiting from various factors including the opening of Sutong Bridge and the decrease in finance costs, net profit increased by RMB97,517,000 or 84.64% year-on-year.
- Affected by the diversion from Sutong Bridge, net profit decreased by RMB9,796,000 or 2.51% year-on-year.

— Administrative expenses

During 2009, administrative expenses of the Company amounted to RMB164,589,000 in aggregate, representing an increase of 1.75% as compared to the corresponding period of 2008. The increase was mainly attributable to the year-on-year increase of management fees at Ninghu Properties resulting from the commencement of the preliminary development work of its real estate projects during the year.

— Finance Costs

As at 31 December 2009, total interest-bearing liabilities carrying interests of the Group amounted to RMB7,791,573,000, representing an increase of RMB227,895,000 as compared to the corresponding period in 2008. During the second half of 2008, there were five lowerings of interest rates. In 2009, the Company has adopted a lower prevailing bank borrowing rate. Meanwhile, with the State's relaxed monetary policies, the Company was committed to lowering financing costs by adjusting the terms of current loans, issuing short-term trust schemes and enhancing the effective application of funds. During the reporting period, finance costs of the Group amounted to RMB387,025,000 in aggregate, representing a decrease of RMB155,363,000 or 28.64% year-on-year.

— Income Tax

The statutory tax rate of the Company was 25% while operating tax rate of toll revenue from expressway vehicles was 3%. In 2009, income tax expense of the Group amounted to RMB650,477,000 in aggregate, representing an increase of 29.5% as compared to the corresponding period in 2008.

— Items Calculated on a Fair Value Basis

Unit: RMB'000

Item	Amount at the beginning of the period	Profit/loss of fair value change during the reporting period	Aggregate fair value change accounted for as equity	Impairment made during the reporting period	Amount at the end of the period
Financial assets					
Including: 1. financial assets calculated on a fair value basis with changes in the value accounted for as current profit or loss	39,967	12,155	—	—	52,100
2. Available-for-sale financial assets	—	—	—	—	—
Total	39,967	12,155	—	—	52,100

During the reporting period, financial assets calculated on a fair value basis held by the Group were the financial assets held-for-trading invested by Ninghu Investment, a subsidiary of the Company. The fair value of "investment in spot gold" at the end of the year was RMB52,100,000 and the cost was RMB36,048,000. The market prices of the above investments at the end of the year and relevant information were sourced from the prices published by the Shanghai Gold Exchange. During the reporting period, the Company did not hold any financial liabilities calculated on a fair value basis.

Management Discussion and Analysis

— Financial Assets and Financial Liabilities Held in Foreign Currencies

Unit: RMB'000

Item	Amount at the beginning of the period	Profit/loss of fair value change during the reporting period	Aggregate fair value change accounted for as equity	Impairment made during the reporting period	Amount at the end of the period
Financial assets	7,540	—	—	—	5,475
Financial liabilities	33,867	—	—	—	32,143

During the reporting period, financial liabilities in foreign currencies held by the Company at the end of the year amounted to RMB32,143,000. A borrowing facility of US\$9.80 million was secured in 1998 from Bank of China, Jiangsu Branch for acquiring imported facilities and technology. The borrowing facility comprised approximately US\$4.90 million credit facility to the purchaser and a loan of US\$4.90 million from the Spanish Government. The borrowing of the credit facility to the purchaser has been settled in 2006. The loan from the Spanish Government will be repaid half-yearly by 40 equal installments from January 2009 with reference to the actual borrowing amount.

2. Analysis of Financial Conditions

— The Group's capital structure

The Company has long been focusing on maintaining a reasonable capital structure with an aim to maintain a sound credit rating and a healthy financial position, thereby increasing shareholder value. With the Group's stable growth in operating results and abundant cashflow as well as the current arrangement of debt structure, the management of the Company is of the view that the current gearing ratio is at a reasonable level.

Under PRC Accounting Standards, the capital structure of the Group as at 31 December 2009 and the comparative figures for 2008 are as follows:

Item	As at 31 December 2009		As at 31 December 2008		Change %
	RMB'000	%	RMB'000	%	
Current liabilities	3,771,363	14.79	3,654,734	14.75	3.19
Non-current liabilities	4,518,044	17.72	4,712,959	19.02	-4.14
Liabilities at fixed interest rates	4,201,573	16.48	3,739,811	15.09	12.35
Liabilities at floating interest rates	3,590,000	14.08	3,823,867	15.43	-6.12
Interest-free liabilities	497,834	1.95	804,015	3.25	-38.08
Equity attributable to equity holders of the Company	16,756,571	65.72	15,968,921	64.46	4.93
Minority interests	450,226	1.77	438,816	1.77	2.60
Total assets	25,496,204	100.00	24,775,429	100.00	2.91
Gearing ratio:	—	32.51	—	33.77	Decreased by 1.26 percentage points

Reasons for changes:

- During the year, interest-free liabilities decreased significantly mainly due to the decrease in advances by 84.04% resulting from the amount of property presale being transferred to revenue; interest payables decreased by 60.37% resulting from the decrease in interest rates and the change in the structure of interest-bearing liabilities; the Group's other payables decreased by 56.55% owing to gradual payments being made to project fees for the expansion works of Shanghai-Nanjing Expressway and the final payment for purchasing the new operating rights of G312.

Under HKFRS, the capital structure of the Group as at 31 December 2009 and comparative figures for 2008 are as follows:

Item	As at 31 December 2009		As at 31 December 2008		Change %
	RMB'000	%	RMB'000	%	
Current liabilities	3,771,364	15.58	3,654,732	15.59	3.19
Non-current liabilities	4,518,044	18.67	4,712,959	20.10	-4.14
Liabilities at fixed interest rates	4,201,573	17.36	3,739,811	15.95	12.35
Liabilities at floating interest rates	3,590,000	14.83	3,823,867	16.31	-6.12
Interest-free liabilities	497,835	2.06	804,013	3.43	-38.08
Shareholders' equity attributable to equity holders of the parent company	15,464,208	63.89	14,635,347	62.43	5.66
Minority interests	450,226	1.86	438,816	1.88	2.60
Total assets	24,203,842	100	23,441,854	100.00	3.25
Gearing ratio:	—	32.19	—	32.27	Decreased by 0.08 percentage point

Gearing ratio: Liabilities bearing interest rates / total assets

— Asset liquidity and financial resources

The Group is principally engaged in the operation of toll roads and bridges. Operating activities relating to the day-to-day toll business are received in cash, with which the Group has a stable operating cashflow. In 2009, cash inflow from the Group's operating activities amounted to approximately RMB5,790,027,000; net cash inflow from operating activities amounted to approximately RMB1,797,660,000. The gearing ratio is at a reasonable level of 32.51%. Monetary capital at book value amounted to approximately RMB517,820,000. During 2009, the Company has obtained credit facilities from banks amounting to RMB12.9 billion. Of such amount, RMB5.223 billion has been utilized and the unutilized credit facilities from banks amounted to RMB7.677 billion. The Group has a stable and abundant operating cashflow and adequate credit facilities from banks; and has made appropriate financing arrangements to fulfil the needs of repayments, dividend distribution and capital expenditure. As such, the management believes that the Group does not have any cash liquidity problem.

Management Discussion and Analysis

Cash and cash equivalents and loans are indicated in the table below:

Item	As at 31 December 2009 The Group (RMB'000)	As at 31 December 2008 The Group (RMB'000)
Cash and cash equivalents		
Cash on hands	354	405
Bank deposits	517,466	460,188
Total:	517,820	460,593
Loans		
Short-term bank loans	3,075,850	2,650,000
Long-term loans due within one year	201,692	201,693
Long-term bank loans	3,420,451	3,622,174
Bonds repayable	1,093,580	1,089,811
Total	7,791,573	7,563,678

— Major sources of cash and their applications

Unit: RMB'000

	2009	2008
Net cash flow from operating activities	1,797,660	2,765,104
Net cash flow from investment activities	-138,755	-897,540
Net cash flow from fundraising activities	-1,601,678	-2,535,918
Net increase in cash and cash equivalents	57,227	-668,354

Explanation on changes:

- The Group's net cash outflow from operating activities decreased by 967,444,000 year-on-year, mainly attributable to land costs and relevant land duties resulted from land purchase by Ninhu Properties, the subsidiary of the Company. As such, cash outflow from operating activities increased.
- Net cashflow from investment activities increased by 758,785,000 year-on-year owing to the completed payment to project fees for the expansion works of Shanghai-Nanjing Expressway, and the fact that cash paid to construction and purchase of fixed assets, intangible assets and other long-term assets decreased substantially.
- During the reporting period, net cashflow from financing activities increased by RMB934,240,000 year-on-year, mainly attributable to the relevant payment in respect of the land purchase by Ninghu Properties, the subsidiary of the Company. As such, cash paid to debt repayment by the Group reduced.
- Capital expenditures

In 2009, the Group's planned capital expenditures actually occurred amounted to approximately RMB274,813,000, representing a decrease of 66.79% or RMB552,605,000 from 2008. The capital expenditure of projects was mainly the balance payment made to the expansion works of Shanghai-Nanjing Expressway and the expansion project of G312. As at the end of the reporting period, the balance payments of the expansion works of Shanghai-Nanjing Expressway amounting RMB93,615,000 and the expansion project of G312 amounting RMB10,000,000 have not been paid.

In 2009, the implementation of Group's capital expenditure projects and amounts are as follows:

Capital Expenditure Project	RMB'000
Balance payment of the expansion works of Shanghai-Nanjing Expressway	25,788
Balance payment of the expansion project of G312	90,000
Partial renovation on surface of Guangjing Xicheng Expressway	53,962
Others	105,063
Total	274,813

— Financing activities and financial costs

During the reporting period, supported by the State's moderately relaxed monetary policies and based on sound financial conditions, steady cash flows, good credit track records and a fine reputation in the industry, the Company continued to be entitled to the prime rate of commercial loans under the interest rate policy of the People's Bank of China, thereby continuously enjoying lower financing costs. Meanwhile, the Company actively expanded its financing channels and adjusted debt structure, with a view to lowering financing costs. With the arrangement of series of aggressive and effective financing activities, the Company's financing risks and financial risks were effectively controlled as a whole. The Company has also effectively lowered financing costs to maintain financial safety. In 2009, the Company's consolidated borrowing cost of interest bearing long and short term liabilities was approximately 4.83%, approximately 0.65 percentage point lower than the prevailing bank borrowing rates and being 1.23 percentage point lower than that of the same period of the previous year.

In 2009, the Company's major financing activities are as follows:

Financing category	Financing date	Term	Financing amount (RMB100 million)	Issuing interest rate	Prevailing bank basic rate	Percentage gain in financing costs (%)
Huarong Trust (華融信託)	2009-01-14	3 months	2	4.374	4.86	10
Guoyuan Trust (國元信託)	2009-01-14	3 months	3	4.374	4.86	10
Guoyuan Trust (國元信託)	2009-04-10	3 months	5	4.131	4.86	15
Guoxin Trust (國信信託)	2009-06-17	6 months	5	4.131	4.86	15
Zhongrong International Trust (中融國際信託)	2009-07-07	3 months	5	3.888	4.86	20
Zhongyuan Trust (中原信託)	2009-10-13	6 months	5	4.131	4.86	15
Zhongrong International Trust (中融國際信託)	2009-12-09	6 months	4.1585	4.0824	4.86	16

— Foreign exchange risks

The Group operates its businesses principally in China. No major foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except for dividend payments for H shares. A loan of US\$9,800,000 was secured from the Spanish Government in 1998 and will be due on 18 July 2027. As at 31 December 2009, the balance of the loan was approximately RMB32,143,000 after conversion from US dollars, against which no foreign exchange hedge was made. Fluctuations in exchange rates will not have any material impact on the Company's results.

— Pledge of assets

As at 31 December 2009, the Company did not have any pledge of assets.

Management Discussion and Analysis

— Contingent liabilities

As at 31 December 2009, the Company did not have any contingent liabilities.

— Trust deposits

As at 31 December 2009, the Company did not have any trust deposits with any financial institutions in China or any fixed term deposits which were irrecoverable upon their maturity.

— Trust loans

During the reporting period, the Company secured RMB500,000,000 from its subsidiary Guangjing Xicheng by way of a trust loan with a term of one year at an annual interest of 4%. The Company also secured a loan of RMB270,000,000 from its connected company Far East Shipping by way of a trust loan with a term of one year and carry an annual interest rate of 5.0445%. As at 31 December 2009, the balance of trust loans with associate companies amounted to RMB770,000,000.

— Reserves

Unit: RMB'000

	Share capital	Capital reserve fund	Statutory surplus reserve fund	Undistributed profit	Equity attributable to equity holders of the parent company
1 January 2008	5,037,747	7,488,687	1,350,007	1,831,944	15,708,385
Profit of the year	—	—	—	1,554,011	1,554,011
Other comprehensive income	—	66,717	—	—	66,717
Profit distributed	—	—	177,340	-177,340	0
Disposal of subsidiaries	—	—	-2,524	2,524	0
Dividends distributed	—	—	—	-1,360,192	-1,360,192
31 December 2008	5,037,747	7,555,404	1,524,823	1,850,947	15,968,921
1 January 2009	5,037,747	7,555,404	1,524,823	1,850,947	15,968,921
Profit of the year	—	—	—	2,010,972	2,010,972
Other comprehensive income	—	136,869	—	—	136,869
Profit distributed	—	—	222,903	-222,903	0
Dividends distributed	—	—	—	-1,360,192	-1,360,192
31 December 2009	5,037,747	7,692,273	1,747,726	2,278,824	16,756,571

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

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

3. Changes in Accounting Policy

Pursuant to the requirements of "Interpretation No. 3 of the Accounting Standards for Business Enterprises", prior to 1 January 2009, investment income from the Group's long-term equity investments calculated by means of cost-based method is limited to the allocated portion of the cumulative net profit generated after the investments were made in the invested entities. The portions of the profits or cash dividends distributed by the invested entities in excess of the above allocated amounts would be recovered as initial investment costs would write down against the book value of the long-term equity investments.

After 1 January 2009, the accounting policy under which the cost-based method was adopted by the Group for calculating long-term equity investments has been revised: in calculations using the cost-based method, long-term equity investments are priced at initial investment costs. Other than the considerations actually paid upon acquisition of investments or the cash dividends or profits included in the considerations declared but not yet distributed, current investment income will be recognized as cash dividends or profits declared for distribution by the invested entities. The Group will adopt prospective application under the revised accounting policy.

(IV) Prospects and Plans

In 2010, there were more favorable conditions for a stable and rapid development of China's economy. Strong domestic demands and the rebound in foreign demands will further help the economy to continue to recover. The State will continue to maintain the continuity and stability of the macro economy, and will continue to implement proactive financial policies and moderately relaxed monetary policies, thereby bringing the national economy toward healthy development. This will provide a relatively relaxed macro-economic environment for the operation and development of the Company.

In 2009, two successive adjustments were made to the toll-by-weight standards for trucks in the province. The promoting effect of such adjustments will be continuously effective in 2010. Supported by the State's policies, the manufacturing and sale of civilian vehicles will grow rapidly, bringing potential for future traffic growth. Meanwhile, for the next few years, no new competing road sections will be completed within the Group's operating territory, and so the road network will remain relatively stable.

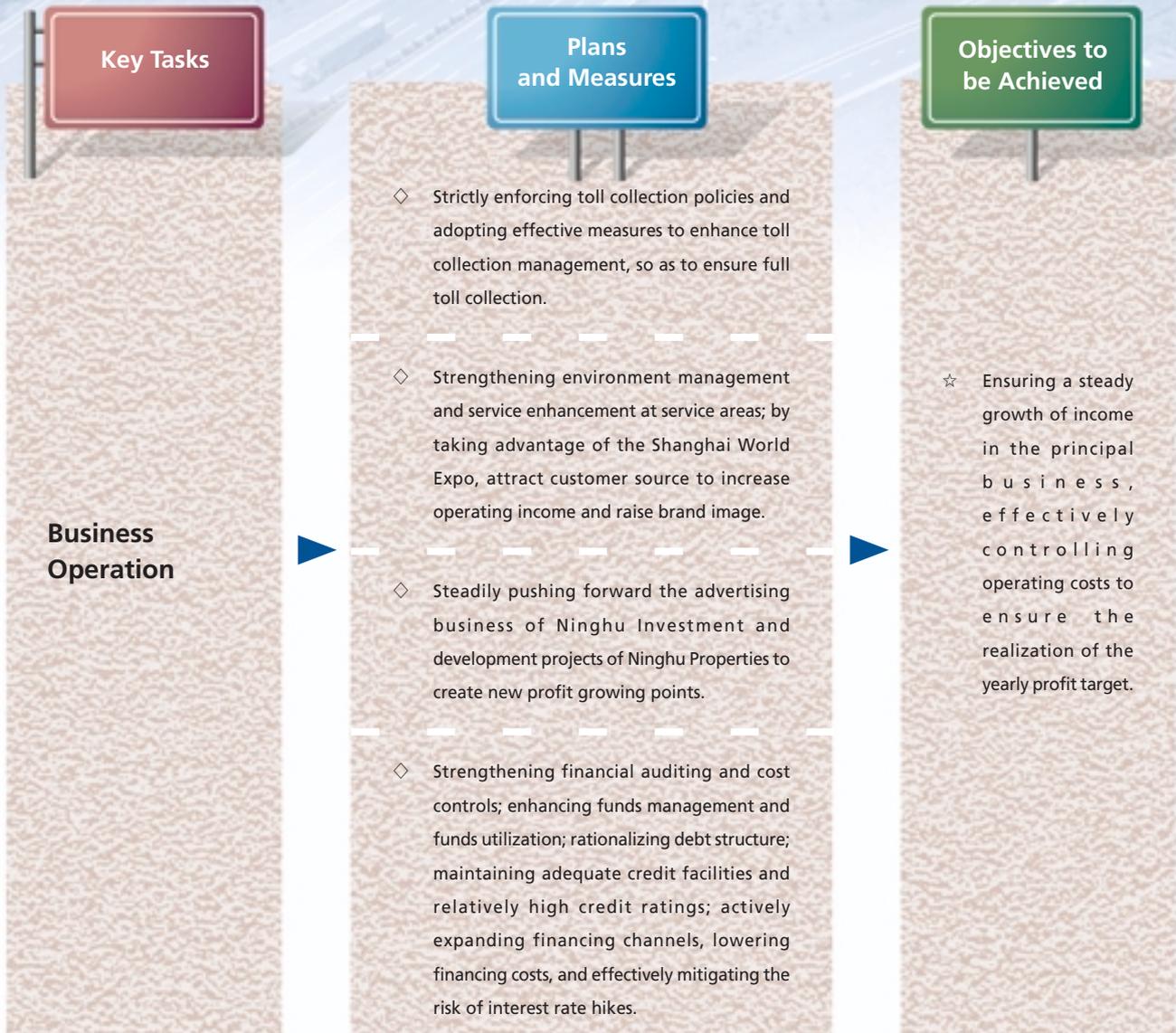
The Shanghai World Expo to be held during 1 May and 31 October 2010 will create new opportunities for the development of the Company. As forecasted by the organizing institution based on the updated pre-sale of tickets, there will be hundreds of millions of visitors around the world to come to Shanghai during the World Expo. The large visitor flow and subsequent tourism in neighboring areas will surely result in booming traffic demands. However, due to a series of safety and security measures and restricted access by vehicles from other cities and regions into Shanghai during the World Expo, it is also hard to predict traffic volume growth within the region. Meanwhile, as government leaders of all levels and domestic and overseas visitors will flock into the region, there will be more requirements raised to Shanghai-Nanjing Expressway in terms of ensuring traffic capacity and providing quality civilized services. Therefore, in 2010, it will be the top priority of the Company's operations management to ensure road safety and traffic smoothness amidst high traffic volume and to provide quality services for travelling vehicles and people, so as to present a good image of Shanghai-Nanjing Expressway as well as a good image of Jiangsu Province to both domestic and overseas visitors.

At the same time, we are also faced with pressure upon our operation. The inter-city rail between Shanghai and Nanjing will be put into operation in July 2010, which will result in some diversions from Shanghai-Nanjing Expressway, although we judge that there will be no further significant diversions since the Shanghai-Nanjing inter-city rail will replace the passenger transport function of the speed train units on the Shanghai-Nanjing Rail Line. However, the change of future traffic volume caused by a new means of transport deserves our long-term attention. On the other hand, with the economy becoming gradually stabilized, the State may carry out slight adjustments to its macro-control policies, and an interest rate hike is becoming more and more likely. The Company will need to adopt active and effective measures to mitigate the risk of an interest rate hike.

In view of the various external operating situations in 2010, the Company expects that the consolidated operating income realised in 2010 will increase by 3.5% year-on-year.

Management Discussion and Analysis

In view of future development trends, we see both opportunities and challenges. To achieve continued and healthy development of the Company, we adopt the following major objectives, plans and measures for our operations management in 2010:



Key Tasks

Plans and Measures

Objectives to be Achieved

Management Enhancement

- ◇ Vigorously raising the professional skills and comprehensive quality of toll collection staff through training; vigorously introducing civilized service to raise customer satisfaction; further improving maintenance and hindrance clearance management system to keep good road quality; and raising transportation capacity amidst high traffic volume.
- ◇ Further sorting, optimizing and integrating the internal control system and documentations for the "certification system" to organically combine internal control risks and safety risks, and to realize a concurrence of quality management and risk management; raising the reasonableness and practicality of the systems, strengthening the implementation of various enhancement measures, with a view to enabling the systems to achieve their intended management effectiveness.
- ◇ Implementing long and medium-term plan for human resources allocation, strengthening duty management, perfecting performance evaluation system, ensuring human resources to fully support the business development of the Company, and realizing a win-win result for the Company and its staff through building a corporate culture with a harmonious and united atmosphere.
- ◇ Consolidating the existing achievement in energy saving and consumption reduction; formulating management policies and implementation measures on energy saving and consumption reduction in accordance with the requirements of detailed management; reducing energy usage and materials wastage in our operations activities; achieving the management target of 5% reduction year-on-year on overall wastage.

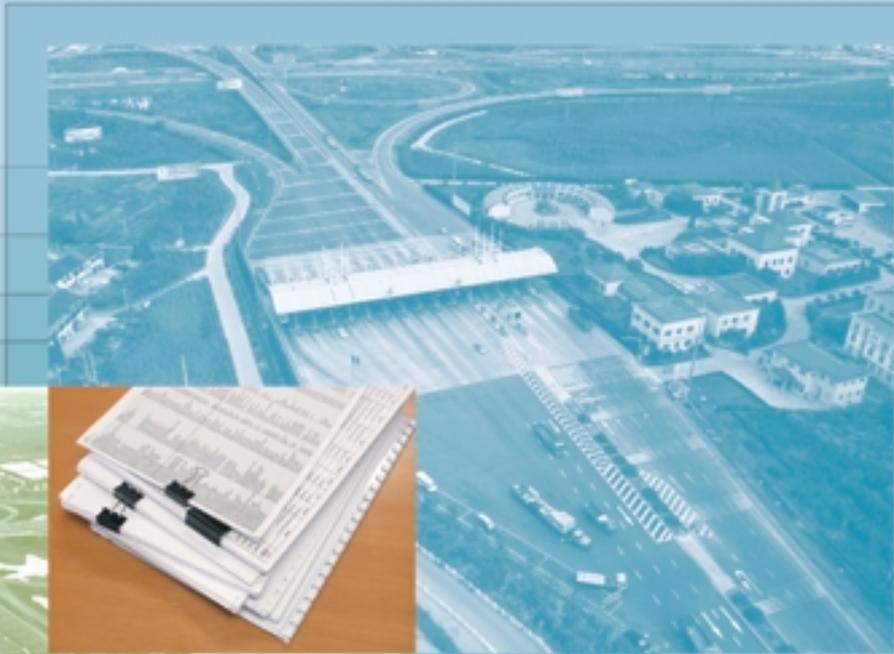
- ☆ Consolidating the fundamental management work, pushing forward detailed management to lay a solid foundation for the long-term development of the Group

Director and General Manager

Qian Yong Xiang

Nanjing, the PRC, 19 March 2010

Corporate Governance Report



Adhering to the corporate values of integrity and diligence and persisting with a sound principle of corporate governance that enhances transparency and independence of the Company's operations, the Company is committed to enhancing its corporate governance standards on a continuous basis, ensuring a stable development of the Company and striving for an enhancement of shareholder value.

Corporate Governance Report

(I) Corporate Governance



The Company has complied with the Company Law, Securities Law, the relevant laws and regulations of the China Securities Regulatory Commission (“CSRC”) and the requirements of the listing rules of the The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) and the Shanghai Stock Exchange. It has faithfully performed obligations under the Code of Corporate Governance for Listed Companies in China of the CSRC and the Code on Corporate Governance Practices (the “Code”) of the Hong Kong Stock Exchange and has adhered to the relevant regulatory requirements of different markets. The Company has also directed its daily activities in strict compliance with various established corporate governance systems and reviewed from time to time its operations and management behaviours. Adhering to the

corporate values of integrity and diligence and persisting with a sound principle of corporate governance that enhances transparency and independence of the Company’s operations, the Company is committed to enhancing its corporate governance standards on a continuous basis, ensuring a stable development of the Company and striving for an enhancement of shareholder value.

— Enhance Corporate Governance System

During the reporting period, the overall objective of the Company’s corporate governance work is to consistently maintain a good governance basis and regulated operating procedures, and to enhance its corporate systems and operating procedures on a continuous basis pursuant to the work arrangement of the regulatory authorities and the latest laws and systems, with a view to ensuring that the Company’s operation did not deviate from or violate the relevant regulations and enhancing its corporate governance standards.

In order to thoroughly eliminate and prevent the happening of any misappropriation of funds by the connected parties, the Company has established a long-lasting mechanism to prevent misappropriation of funds pursuant to the requirements of the relevant regulatory authorities. The internal control system was strengthened to enhance the accountability regime. Detailed measures were listed in the relevant documents such as the Articles of Association of the Company. As such, statutory obligations of directors, supervisors and the senior management members on safeguarding the Company’s assets are specified; the limit of authority of approval for payment and management of monetary capital is specified; and connected transactions are under strict control so that they are conducted pursuant to statutory procedures, thereby maintaining the independence of the Company, ensuring the safety and integrity of the Company’s assets. Meanwhile, pursuant to the requirements of the CSRC, the minimum standard of profit distribution was specified in the Articles of Association of the Company in order to protect the legitimate interests of investors.

Corporate Governance Report

Pursuant to the requirements of the CSRC, the Company has formulated the "System of Accountability for Significant Mistakes in Annual Report Information Disclosure of Jiangsu Expressway Company Limited" reinforcing the accountability of people who are responsible for annual report disclosure. The Company also established the "System Governing External Information Users of Jiangsu Expressway Company Limited" so as to strictly enforce each management requirement in respect of the submission of sensitive information to external authorities. Such two systems were considered and approved at the Ninth Meeting of the Sixth Session of the Board of Directors and announced publicly. Meanwhile, the Company has also formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" (the "Code"), reinforcing the management of people with insider information, thereby restricting relevant people to deal in securities transactions in accordance with the Code.

— Rectification of Problems in Governance

During the reporting period, pursuant to the requirements of the CSRC on further deepening corporate governance rectifications, the Company has reviewed and continuously rectified the problems identified in the campaign of special topics under corporate governance. The system defects identified in the governance campaign have been restructured according to the relevant guidelines and well complied with. Except for the relevant mandatory provisions of the "Articles of Association" failed to fully comply with the requirements of the "Guidance for the Articles of Association of Listed Companies", other problems identified in the special rectification campaign of the corporate governance have been rectified. As no new amendments to the "Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the PRC" have been promulgated by the State, the Company will continue monitor the situation and will amend and enhance the relevant provisions of the Articles of Association in a timely manner.

— Regulate the Appointment of Independent Directors

During the reporting period, the election of the new session of the Board was held and the sixth session of the Board and the Supervisory Committee were formed since its incorporation. As required by the Shanghai Stock Exchange, the continuous term of any independent directors shall not be more than six years. As at the re-election date, three independent directors have reached such unit. With an aim to ensuring a reasonable structure of the Board and satisfying the relevant requirements, the Company raised the number of the Board members to comply with the quorum requirements as set out in the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. As of now, six of the eleven directors of the Company are engaged externally, accounting for more than half of the Board members, thereby ensuring adequate independence of the Board.

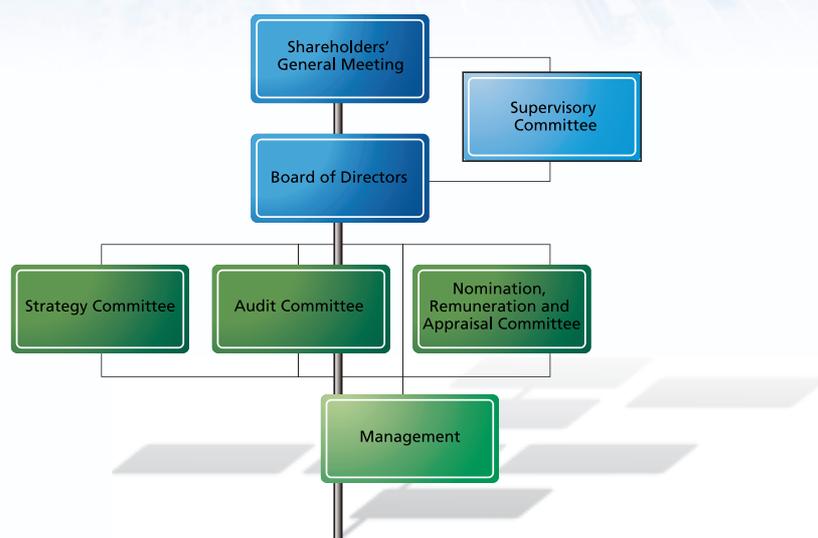
— Effectiveness of the Corporate Governance

During the reporting period, the actual governance situation did not deviate from the requirements of the relevant laws and regulations of the CSRC. None of the Company, the Board, the Supervisory Committee and directors, supervisors and the senior management members of the Company were subject to administrative penalty, criticisms through circulation of a public notice or other public reprimand by the regulatory authorities.

The consistent healthy and sound governance of the Company also won wide recognition from authoritative institutions. In April 2009, according to the 2009 Corporate Governance Rating of Top 100 Chinese Listed Companies released by the Research Center for China Corporate Governance of the Chinese Academy of Social Sciences, the Company was among the Top 20 and ranked sixth in general. On 23 November, 2009, the Company was named among the "Best Corporate Governance Disclosure Awards 2009" for the fourth consecutive year and was honored with the Golden Award of H share companies listed on the main board or GEM board. On 25 November, the Company was named among the "Report on the HKIoD Corporate Governance Score-card" by The Hong Kong Institute of Directors, and was among the top ten companies with the highest corporate governance scores.

Such achievement is the result of long-term persistence and efforts as well as a recognition of the Company's long-term implementation of sound corporate governance and establishment of its fair and honest governance culture and regular and highly transparent disclosure. However, there is still some room to enhance the corporate governance of the Company, which will be further improved in its future work so that the Company's corporate governance culture and vision will be adhered to as a long-term systematic task.

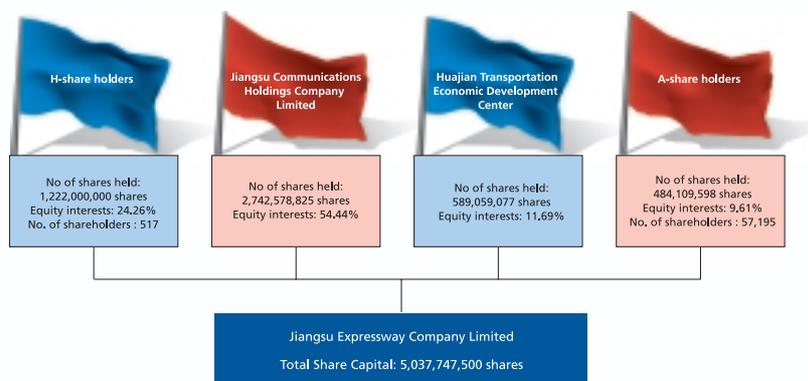
(II) Corporate Governance Structure



1. Shareholders and General meetings

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

— Substantial Shareholders



Jiangsu Communications Holdings Company Limited and Huajian Transportation Economic Development Center are substantial shareholders of the Company, holding approximately 54.44% and 11.69% of the Company's shares, respectively. These two companies have not bypassed the general meetings to intervene directly or indirectly the decision making process and the operation of the Company.

Corporate Governance Report

— Independence from the Controlling Shareholder

Business independence	The Company and the controlling shareholder have separate scopes of operation and independent operating projects, allowing the Company to have integral independence of its business as well as autonomy over its operations.
Personnel independence	There is no dual office-holding and the Company possesses the autonomy of appointment, removal and decision-making regarding labour, personnel and remuneration management, while the controlling shareholder's nominations of director and supervisor candidates to the Company are conducted under lawful procedures.
Assets independence	The assets of the Company are strictly separated from the controlling shareholder. The Company possesses entire ownership over the operating assets and operates with total independence.
Institutional independence	There are no "same staff wearing two hats", mixed operation or joint offices, and offices and operating locations are separate.
Financial independence	The Company has an independent financial department in the finance discipline with independent accounts. The Company has the autonomy in decision-making regarding the Company's finances. The use of funds is not interfered by the controlling shareholder.

— Shareholders' General Meeting

The shareholders' general meeting is the highest authority which makes important decisions and lawfully exercises duties and power. The annual general meeting and extraordinary general meeting provide a direct communication channel for the Board and the shareholders of the Company. Therefore, the Company attaches great importance to the shareholders' general meeting, and require the attendance by the directors and management personnel as much as they can. Meanwhile, it also arranges representatives of independent directors, chairmen of the audit committee and nomination, remuneration and appraisal committee or appointed representatives to attend the annual general meeting and respond to questions from the shareholders. At the shareholders' general meeting, all shareholders have the right to raise suggestions and queries to the attending directors/supervisors and senior management personnel as to the business activities and development strategies of the Group. Except for trade secrets which shall not be made public, the directors, supervisors and senior management personnel will make their explanation on the shareholders' suggestions and queries.

The shareholders' general meeting is witnessed by the solicitor appointed by the legal counsel of the Company, who will issue a legal opinion. The representative appointed by the accounting firm and shareholders' representatives also act as scrutinees who monitor the statistics of votes to ensure the legality, fairness and transparency of the meeting procedures. The holding, convening and procedures of the shareholders' general meeting are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information". For details of the Annual General Meeting of this year, please refer to the chapter of "Shareholders' General Meeting".

2. Directors and the Board

On 17 June 2009, the election of the new session of the Board was held at the annual general meeting, forming the sixth session of the Board, comprising 11 members, of whom one is executive director and 10 are non-executive directors with a term ending at the date of the 2011 Annual General Meeting. Four of the non-executive directors are appointed by shareholders, and six of them are externally engaged by the Company, including four independent non-executive directors. This has ensured adequate independence of the Board. The composition, members and operational procedures of the Board are set out in Section (III) "Compliance with the Code on Corporate Governance Practices and Other Information" in this Chapter.

In 2009, the Board held 11 meetings. By way of holding regular meetings, extraordinary meetings, signing board resolutions or authorizations the Board discussed and made decisions as to the operating and financial performance, financing plans, investment projects, connected transactions, change of directors and governance structure of the Group. This has ensured the realization of the Company's best interests in its operation, management and development.

Meeting Session	Date Held	Resolution
21 st meeting of the fifth session of the Board	7 January 2009	<ul style="list-style-type: none"> – considered the issue of short-term trust product of RMB 500 million by the Company by way of voting through correspondence
22 nd meeting of the fifth session of the Board	18 March 2009	<ul style="list-style-type: none"> – considered the traffic volume forecast reports on Shanghai-Nanjing Expressway, Xicheng Expressway, Guangjing Expressway, the Shanghai-Nanjing Section of G312 and the Nanjing Section of Nanjing-Lianyungang Highway by way of voting through correspondence
23 rd meeting of the fifth session of the Board	27 March 2009	<ul style="list-style-type: none"> – considered the 2008 annual report of the Company and relevant matters – proposed policies of the 2008 annual dividend distribution and 2009 annual dividend distribution of the Company – proposed engagement of domestic and foreign auditors – considered the conversion of the Company into a joint-stock company using Taiwan, Hong Kong, Macau and domestic capital, and proposed the change of the business place and business license number of the Company – considered the issue of short-term trust product of RMB500 million by the Company – considered the connected transaction of the roads and bridges maintenance of the Company – appointed Mr. Qian Yong Xiang as a member of the Strategy Committee
24 th meeting of the fifth session of the Board	24 April 2009	<ul style="list-style-type: none"> – considered the 2009 first quarterly report of the Company – considered the issue of trust product of RMB500 million by the Company – nominated all members of the new session of the Board – proposed the amendment to the profit distribution clause in the Articles of Association of the Company
1 st meeting of the sixth session of the Board	17 June 2009	<ul style="list-style-type: none"> – elected Mr. Shen Chang Quan as the chairman of the sixth session of the Board of the Company – elected members of the Strategy Committee and the Audit Committee of the sixth session of the Board
2 nd meeting of the sixth session of the Board	21 August 2009	<ul style="list-style-type: none"> – considered the 2009 interim report and the relevant matters – considered the connected transactions under the service agreement signed with the "Toll-network Company" – proposed change to the business scope of the business license – proposed appointment of directors of the Company – re-appointed Mr. Yao Yong Jia as the secretary to the Board of the Company, and Ms. Lee Wai Fun, Betty as the Hong Kong company secretary

Corporate Governance Report

Meeting Session	Date Held	Resolution
3 rd meeting of the sixth session of the Board	7 September 2009	– considered the auction of Baohua land plot in Jurong City by Jiangsu Ninghu Properties Company Limited as a subsidiary by way of voting through correspondence
4 th meeting of the sixth session of the Board	25 September 2009	– considered the change of the Board members by way of voting through correspondence – approved the adjournment of the 2009 Second Extraordinary General Meeting
5 th meeting of the sixth session of the Board	28 September 2009	– considered the auction of land plot in Huaqiao county, Kunshan by Jiangsu Ninghu Properties Company Limited as a subsidiary by way of voting through correspondence
6 th meeting of the sixth session of the Board	20 October 2009	– considered the 2009 third quarterly report
7 th meeting of the sixth session of the Board	28 December 2009	– considered the waiver by Guangjing Xicheng as a subsidiary in respect of the registered capital enlargement of Suzhou Nanlin Hotel by way of voting through correspondence

— Independent Non-Executive Directors

The Company has appointed a quorum of independent non-executive directors. Pursuant to the requirements of the listing rules of the Shanghai Stock Exchange, the continuous term of any independent directors shall not be more than six years. Until the date on which the election of the new session of the Board was held for the reporting period, Cheng Chang Yung Tsung, Alice, Fang Hung, Kenneth, and Yang Xiong Sheng as the independent directors have served the Company for more than six years, and commencing from the date of the election of the new session of the Board, they ceased to act as the independent non-executive directors of the Company.

Fan Cong Lai, Chen Dong Hua, Xu Chang Xin and Gao Bo were appointed as the independent non-executive directors at the sixth session of the Board of the Company, accounting for more than one-third of the members of the Board. Four independent non-executive directors are currently serving at renowned universities in the country and are senior experts in the fields of currency finance, financial accounting, economic management and real estate studies and are well-versed with academic theories and management experience. Independent directors play major roles in various specialized committees of the Board. Independent non-executive directors account for a majority in the Audit Committee and the Nomination, Remuneration and Appraisal Committee, and an independent non-executive director holds chairmanship at each of these committees.

The independent directors have submitted a statement in respect of their independence when nominated. Meanwhile, before board meeting to consider on the annual results, the Company had received confirmation letters in writing from each of the independent non-executive directors in respect of their independence, so that the Company could state the view that the relevant independent non-executive directors have complied with the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules and are independent parties.

Discharge of duties by independent non-executive directors:

Name of independent non-executive director	Number of board meetings required to be attended during the year	Attendance in person	Attendance by proxy	Absence
Fan Cong Lai	11	11	0	0
Chen Dong Hua	6	5	1	0
Xu Chang Xin	2	2	0	0
Gao Bo	2	2	0	0
Cheng Chang Yung Tsung, Alice	7	7	0	0
Fang Hung, Kenneth	7	5	2	0
Yang Xiong Sheng	5	5	0	0

The independent non-executive directors of the Company have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner in compliance with the relevant laws, regulations and the "Detailed Rules for the Operation of Independent Directors", giving their professional opinions and independent judgement on the decision-making for significant matters discussed by making use of their professional experience and expertise. During 2009, through their participation in the Board and the specialized committees, progress and annual review the independent directors have examined substantial matters such as the Company's investment and financing decisions, connected transactions, financial auditing and internal control, and have held meetings with external auditors to discuss the work in respect of the annual audit and the review of the interim financial report in accordance with "System for the Annual Report Work of Independent Directors", thereby carrying out a good monitoring and balancing role in terms of protecting the interests of the Company and the shareholders as a whole. Meanwhile, the independent non-executive directors have also summarized their yearly work in a report for submission to the shareholders' general meeting for consideration.

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

Corporate Governance Report

— Specialized Committees of the Board

Three specialized committees were established under the Board of the Company, including the Strategy Committee, the Audit Committee, and the Nomination, Remuneration and Appraisal Committee. Each committee formulated its detailed operating procedures in order to define the scope of its work authority and procedures of performing duties. The detailed rules for operation have been approved by the Board.

The Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Shen Chang Quan (the Chairman), Chen Xiang Hui, Qian Yong Xiang and Fan Cong Lai, of whom one is independent director.

Duties

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

Major work during the year

The Strategy Committee held one meeting in 2009 and all members attended the meeting. The committee has discussed the overall debts and financing plan of the Company for 2009. According to the current debt structure and capital expenditure plan, it was suggested that the overall debt-to equity ratio be controlled within 40% so as to control debt risks and ensure assets security of the Company. In respect of capital raising by way of debts, the committee has agreed to the financing plan on the issue of short-term trust products by the Company, and considered that it would effectively lower finance costs as well as improve the efficiency of capital utilization, and such plan would be submitted to the Board for consideration.

The Audit Committee

The Audit Committee was established in 2001. Its current members comprise Chen Dong Hua (the Chairman), Fan Cong Lai and Du Wen Yi, of whom all are non-executive directors and two are independent directors. One independent non-executive director should possess the appropriate professional qualification as required by Rule 3.10(2) of Hong Kong Listing Rules; or he/she should possess appropriate accounting or the relevant financial management experiences.

Duties

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

Major work during the year

Report on Discharge of Duties in 2009 by the Audit Committee

In 2009, the Audit Committee held six meetings, including four meetings to review periodic reports and two meetings to discuss with the external auditors in respect of the annual results audit and the interim financial report review. All members attended the meetings. Major work during the year included:

The Audit Committee is responsible for the review and supervision of the quality and procedures of the Company's financial reporting. In 2009, the Audit Committee has reviewed the 2008 financial report, the 2009 first quarterly, interim and third quarterly financial reports.

Before commencing the annual results audit and interim financial report review, the Audit Committee held meetings with the financial leader and the external auditors of the Company to discuss and communicate on the auditing plan, focus of the auditing work, accounting policies to be adopted for audits and substantial accounting treatments, as well as the timetable of the auditing work. Suggestions and views in respect of the auditing work were raised, ensuring the parties' consistent understanding of the material events and the relevant appropriate accounting treatments. After the preliminary audit opinion issued by the auditors, the Audit Committee held the meeting again to review and to confirm the appropriateness of the accounting policies adopted in the financial report of the Group and reasonableness of the accounting estimate for submission to the Board for consideration.

As at the date of the publication of the annual report for this year, the Audit Committee has, pursuant to the "Guidelines on Work of Annual Report", reviewed the 2009 financial report audited by Deloitte, and considered that the 2009 financial report of the Group has reflected the operating results and financial position of the Group in a complete, true and reasonable manner, and recommended the approval by the Board.

In 2009, the Company has examined and self-evaluated the implementation of the internal control system. The Audit Committee has performed the inspection and assessment of the work objective of the Company's internal control, the basic elements and implementation of the internal control system and overall evaluation results. The Company considered that the internal control system and implementation of the Company are basically sound and effective and has found no material defects in respect of the internal control design or implementation, and recommended the Board to approve the Self-evaluation Report on Internal Control. Meanwhile, the Audit Committee also regularly monitored and appraised the progress of internal audits and the execution of the internal control system. It raised suggestions to the Board in respect of selection and appointment of the external domestic auditors. The committee also examined all connected transactions of the Company and supervised the transaction procedures to ensure that the requirements of domestic and overseas listing rules were complied with. It examined the capital flow among the Company, its substantial shareholders and other connected parties. The committee studied financing proposals jointly with the Company's finance departments, providing expert opinions to the Company management or reminding them with the relevant risks.

Audit Committee members:

CHEN Dong Hua, FAN Cong Lai, DU Wen Yi

19 March 2010

Corporate Governance Report

The Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee was established in 2001. Its current members comprise Xu Chang Xin (Chairman), Fang Hung, Kenneth, Chen Dong Hua, Gao Bo and Zhang Yang, of whom three are independent directors.

Duties

The Nomination, Remuneration and Appraisal Committee is principally responsible for making recommendations on appointment, re-appointment, removal and recruitment taking procedures of candidates for directorship; regularly reviewing the structure, membership and composition of the Board; examining the independence of the independent non-executive directors; and making recommendations on determining remunerations for directors and supervisors and on the Company's remuneration policy.

Major work during the year

Report on Discharge of Duties in 2009 by the Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee held two meetings in 2009 where all members attended. Major works included:

In 2009, the election of the new session of the Board was held. The committee has examined all nominated directors. In the process of selection, the committee has considered the criteria for the relevant individual's integrity, his/her achievements and experiences in relevant sector, his/her professional and educational background and his/her commitment, and the amount of time that he/she would devote to the job as well as his/her concern to the relevant matters. This was to ensure that the incoming directors would be capable of fully leveraging their professional experiences and expertise to assist in the rational and highly efficient decision-making of the Board so as to realise the best interests of the Company.

As at the date on which the election of the new session of the Board was held in 2009, Cheng Chang Yung Tsung, Alice, Fang Hung, Kenneth and Yang Xiong Sheng as the original independent directors had their consecutive terms exceed six years. Pursuant to the relevant rules of the Shanghai Stock Exchange, it was not appropriate for them to be the independent directors of the Company. As such, they have submitted their resignations to the Company. With an aim to ensure a reasonable structure of the Board, the Company has increased and replaced the independent directors in a timely manner. Meanwhile, the committee has confirmed the independence of the newly-appointed independent directors.

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

The committee has appraised and assessed the discharge of duties by the directors and the management during 2009. The committee is of the view that all directors have loyally fulfilled their obligations with integrity and diligence and have dutifully fulfilled and discharged their duties under their respective service contracts, and that the management of the Company has discharged its duty professionally and conscientiously and has satisfactorily achieved the Company's various operation and management objectives for the year which had been pre-set by the Board in early 2009.

Nomination, Remuneration and Appraisal Committee members:

XU Chang Xin, FANG Hung, Kenneth, CHEN Dong Hua, GAO Bo, ZHANG Yang

19 March 2010

3. Supervisors and Supervisory Committee

The sixth session of the Supervisory Committee was elected at the annual general meeting of the Company held on 17 June 2009 and has a term ending at the date of the 2011 Annual General Meeting. The Company's Supervisory Committee comprises five supervisors, of whom three are representatives of the shareholders and the other two are staff representatives of the Company. The number of members and composition of the Company's Supervisory Committee is in compliance with the requirements of the relevant laws and regulations.

The Supervisory Committee is accountable to all the shareholders and exercises power of supervision on the Company independently in accordance with the laws. Financial monitoring is the core responsibility among all of its specific duties. Besides, it is also responsible for supervising the performance of fiduciary duties of the directors, managers and other senior management members of the Company. They also safeguard the Company's assets, lower the Company's financial and operational risks and protect the legitimate interests of the Company and the shareholders.

The Secretary to the Board also takes up the duties of the secretary of the Supervisory Committee, responsible for the daily operation of the Supervisory Committee while facilitating communications among the Supervisory Committee and the Board and the management of the Company. In 2009, the Supervisory Committee held eight meetings, and all supervisors were sat in on each Board meeting. The Supervisory Committee supervised the Company's financial matters and the lawful and regulatory performance of duties by the Directors and senior management members, conscientiously discharging the duties of the Supervisory Committee. For details of the work of the Supervisory Committee and the Supervisors, please refer to "Report of the Supervisory Committee" of this annual report.

4. The Management

The operating procedures of the Management are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information" in this Chapter.

(III) Compliance with the Code on Corporate Governance Practices and Other Information

During the reporting period, the Board reviewed daily governance of the Company in accordance with the relevant provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules and considered that, from 1 January 2009 to the date of this report, the Company regulated its operation and carried out strict governance in accordance with the relevant code provisions. The Company has met the requirement of provisions of the Code basically and strived to achieve the various recommended best practices.

The Board and the management undertake to adhere to high standards of corporate governance. In addition to its compliance with the Code, the Company has formulated various governance systems which have exceeded the existing and proposed requirements of the Hong Kong Stock Exchange (details of which are included in this report) which include "Rules of Proceedings for General Meetings", "Rules of Proceedings for Board of Directors Meetings", "Rules of Proceedings for Supervisory Committee Meetings", "Detailed Rules for the Operation of Specialized Committees", "Detailed Rules for the Operation of Independent Directors", "Detailed Rules for the Operation of General Manager", the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees", "Administrative Measures for the Disclosure of Information", "Work System on Investor Relations Management", and so forth. Each of the systems was strictly followed in order to enhance the level of the Company's corporate governance.

Corporate Governance Report

Detailed explanations on the Company's compliance with the Code are set out below.

A. Directors

A1. The Board

Code Principle	<ul style="list-style-type: none"> The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should make decision objectively in the interests of the issuer.
The best corporate governance status	<ul style="list-style-type: none"> The Board of the Company reports to shareholders' general meetings and fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board of Directors Meetings" within its terms of reference as stipulated by the Articles of Associations. The Board also monitors the implementation of the Group's operation management and its financial performance, with the primary mission of achieving operating results that generate the best stable long-term returns.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures																																													
<ul style="list-style-type: none"> Regular Board meetings to be held at least four times a year, approximately once every quarter. A regular Board meeting does not include the practice of obtaining Board's approval through circulation of written resolutions 	Yes	<ul style="list-style-type: none"> In 2009, the Company held 11 Board meetings, including five regular meetings and six extraordinary meetings where votes are casted by way of correspondence. Each of the Board meetings was actively participated by the majority of directors who were entitled to attend, either voting in person or by proxy or through other means of participation. The attendance complied with the provisions of the Articles of Association. Details of attendance of 2009 Board meetings: <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Attendance/ Number of meetings</th> <th style="text-align: center;">Attendance Rate</th> </tr> </thead> <tbody> <tr><td>Shen Chang Quan</td><td style="text-align: center;">11/11</td><td style="text-align: center;">100%</td></tr> <tr><td>Qian Yong Xiang*</td><td style="text-align: center;">11/11</td><td style="text-align: center;">100%</td></tr> <tr><td>Zhang Yang</td><td style="text-align: center;">11/11</td><td style="text-align: center;">100%</td></tr> <tr><td>Sun Hong Ning</td><td style="text-align: center;">9/9</td><td style="text-align: center;">100%</td></tr> <tr><td>Chen Xiang Hui</td><td style="text-align: center;">10/11</td><td style="text-align: center;">91%</td></tr> <tr><td>Cui Xiao Long</td><td style="text-align: center;">7/8</td><td style="text-align: center;">88%</td></tr> <tr><td>Du Wen Yi</td><td style="text-align: center;">11/11</td><td style="text-align: center;">100%</td></tr> <tr><td>Cheng Chang Yung Tsung, Alice</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Fang Hung, Kenneth</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Yang Xiong Sheng*</td><td style="text-align: center;">5/5</td><td style="text-align: center;">100%</td></tr> <tr><td>Fan Cong Lai</td><td style="text-align: center;">11/11</td><td style="text-align: center;">100%</td></tr> <tr><td>Chen Dong Hua</td><td style="text-align: center;">5/6</td><td style="text-align: center;">83%</td></tr> <tr><td>Xu Chang Xin</td><td style="text-align: center;">2/2</td><td style="text-align: center;">100%</td></tr> <tr><td>Gao Bo</td><td style="text-align: center;">2/2</td><td style="text-align: center;">100%</td></tr> </tbody> </table> 		Attendance/ Number of meetings	Attendance Rate	Shen Chang Quan	11/11	100%	Qian Yong Xiang*	11/11	100%	Zhang Yang	11/11	100%	Sun Hong Ning	9/9	100%	Chen Xiang Hui	10/11	91%	Cui Xiao Long	7/8	88%	Du Wen Yi	11/11	100%	Cheng Chang Yung Tsung, Alice	7/7	100%	Fang Hung, Kenneth	7/7	100%	Yang Xiong Sheng*	5/5	100%	Fan Cong Lai	11/11	100%	Chen Dong Hua	5/6	83%	Xu Chang Xin	2/2	100%	Gao Bo	2/2	100%
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<ul style="list-style-type: none"> All directors are given an opportunity to include matters in the agenda for regular Board meetings 	Yes	<ul style="list-style-type: none"> All directors were given an opportunity to include matters in the agenda for regular Board meetings but such right was not exercised during the year. 																																													

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Notice shall be given at least 14 days prior to a regular Board meeting 	Yes	<ul style="list-style-type: none"> Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all directors were given an opportunity to attend.
<ul style="list-style-type: none"> All directors shall have access to the advice and services of the secretary to the Board 	Yes	<ul style="list-style-type: none"> The Secretary to the Board maintained close communications with all directors and provided timely material information of the Company and the relevant updated rules, as well as contributed advice to the directors on matters arising from corporate governance and rules compliance, ensuring that the Board operation was in compliance with the procedures.
<ul style="list-style-type: none"> Minutes of meetings shall be kept by the Secretary to the Board and open for inspection by any director at any reasonable time 	Yes	<ul style="list-style-type: none"> Secretary to the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees which were available for inspection by any director at any reasonable time.
<ul style="list-style-type: none"> Minutes of meetings shall record in sufficient detail the matters considered by the directors and decision reached at meetings 	Yes	<ul style="list-style-type: none"> The minutes of meetings reflected objectively the consideration, voting and opinions given by the directors in detail and were duly signed by directors attending the meetings.
<ul style="list-style-type: none"> Directors could seek independent advice under an agreed procedure at the Company's expense 	Yes	<ul style="list-style-type: none"> In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of Directors at the Company's expense. During the year, no director has individually requested the Company to seek professional independent opinion on any relevant matter.
<ul style="list-style-type: none"> If a substantial shareholder or a director has a conflict of interest in respect of a material matter, the Company shall convene a Board meeting in due course and the relevant connected directors shall abstain from voting 	Yes	<ul style="list-style-type: none"> The Company has made it clear that, if a substantial shareholder or a director has a conflict of interest in respect of any material matter, the connected director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the reporting period, the maintenance contract signed with Jiangsu Sundian Engineering Co., Ltd. was considered at the 23rd meeting of the fifth session of the Board; the service agreement signed with the Toll-network Company was considered at the 2nd meeting of the sixth session of the Board and the connected transaction in respect of the waiver by Guangjing Xicheng, a subsidiary, in respect of the registered capital enlargement of Suzhou Nanlin Hotel was considered at the 7th meeting of the sixth session of the Board. All connected directors abstained from voting at the meetings. The voting and quorum as stipulated in the Articles of Association conform with the provisions of the Code.

Corporate Governance Report

Recommended best practices:

- Various Board committees of the Company have adopted principles and procedures of broadly the same as stated above.

A2. Chairman and Chief Executive Officer

Code principle	<ul style="list-style-type: none"> • There should be a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.
The best corporate governance status	<ul style="list-style-type: none"> • The Company has clearly defined the responsibilities of the Chairman and the General Manager. The responsibilities of the Board and the management are separated and are set out in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager", ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> • Roles of the Chairman and the Chief Executive Officer should be separate and clearly established and set out in writing 	Yes	<ul style="list-style-type: none"> • Shen Chang Quan assumed the position of Chairman of the sixth session of the Board and Mr. Qian Yong Xiang took up the position as the General Manager of the Company. The Chairman concentrated his work on the Group's development strategies and matters of the Board, while the General Manager was in charge of the coordination and management of the business and operations of the Group, the implementation of the strategies set by the Board and day-to-day decision-making with the support and assistance by the Board and other senior management staff of the Company. The separation of roles is explained in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager". • There was no relationship existing between the Chairman and the Chief Executive Officer, including financial, operational, family or other relevant relations.
<ul style="list-style-type: none"> • The Chairman should ensure all directors be briefed on issues arising at Board meetings 	Yes	<ul style="list-style-type: none"> • The Board has established a reporting system in which at each regular meeting, the General Manager reports to each director the most updated status of the Company, at least four times per year. The Chairman also tabled the decision making on any material matters of the Group to the Board for collective discussion by the directors at the meeting.
<ul style="list-style-type: none"> • The Chairman should ensure that Directors receive adequate information in a timely manner 	Yes	<ul style="list-style-type: none"> • The Chairman has appointed the Secretary to the Board to provide timely information regarding the performance of the Board's obligations and is committed to continuously improving the quality and timeliness of the information.

Recommended best practices:

- Agenda of the Board meetings have been discussed by the Chairman, Executive Directors and Secretary to the Board and were determined after considering all the matters motioned by the Non-executive Directors.
- The Chairman played a significant role in the development of the Company's corporate governance system. The Chairman assigned the Secretary to the Board to formulate a sound corporate governance system and procedures and supervised the management to faithfully perform the various systems, ensuring the Company's standardized operation.
- The Chairman encouraged all the Directors to devote their efforts to the matters of the Board and promoted effective contribution made by the directors to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company.
- The Chairman attached great importance to the effective communication between the Company and its shareholders and enhanced investor relations continuously so as to realize best returns for shareholders. The Chairman also valued the contributions made by the Directors to the Board and strived to ensure that there were constructive relations between Executive Directors and Non-executive Directors.

A3. Board Composition

Code principle	<ul style="list-style-type: none">• The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) to ensure that independent judgment can be made effectively. Non-executive directors should comprise sufficient members and possess sufficient competence so that their opinions will have an impact.
The best corporate governance status	<ul style="list-style-type: none">• The election of the new session of Board was held at the annual meeting held on 17 June 2009, forming the sixth session of the Board of the Company which comprised 11 directors, of whom one was executive director, 10 were non-executive directors with their terms ending on the date of the 2011 annual general meeting. Four of the non-executive directors were appointed by shareholders' companies and among the non-executive directors, six of them were engaged externally by the Company, including four independent non-executive directors, to ensure adequate independence of the Board and to help the Board analyze and discuss issues from different perspectives.• The Directors are elected or replaced by Shareholders' General Meetings. The Company adopts cumulative voting in the election process for directors. The term of a director is three years. The appointment of all directors is determined by Shareholders' General Meeting. Directors can be re-elected when their terms expire. A re-elected independent director shall not serve more than 6 years consecutively.• Members of the Board have different industry background. They are diversified in experience, competence and judgemental skills, which makes the Board more prudent and considerate when making decisions. The members of the current session of the Board have background and professional experiences in the fields of highway, engineering, investment, financial accounting, finance and securities, economic management, corporate management and real estate, of whom two directors have accounting qualifications and financial management expertise as required by the regulatory authorities.• There exists no relationship among Board members, including financial, operational, family or other relevant material relations.

Corporate Governance Report

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Identify the Independent Non-executive Directors in all 	Yes	<ul style="list-style-type: none"> The Independent non-executive directors are disclosed in all corporate communications.

Recommended best practices:

- The four Non-Executive Independent Directors, namely Fan Cong Lai, Chen Dong Hua, Xu Chang Xin and Gao Bo accounted for over one-third of the members of the Board, of whom Mr. Chen Dong Hua was an independent director possessing professional qualifications and financial management experience. The independent directors have submitted their declaration of independence when nominated. Meanwhile, the Company has received from each of its Independent Non-executive Directors confirmation letter in writing on his/her independence, and is of the view that the relevant Independent Non-executive Directors complied with the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules and were independent parties.
- The Company has provided on its website the list and profiles of current Board members, together with their roles, responsibilities and independence.

A4. Appointment, Re-election and Removal

Code principle	<ul style="list-style-type: none"> There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals. The issuer should provide reasons for the resignation or dismissal of any director.
The best corporate governance status	<ul style="list-style-type: none"> The Board of the Company has established the Nomination, Remuneration and Appraisal Committee which makes recommendations on the procedures for the appointment, re-election, removal and recruitment of Board candidates for consideration by the Board. Their appointment will ultimately be determined at a shareholders' general meeting. During the process of selection, the criteria considered by the Nomination Committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote and his/her concern about relevant affairs, and so forth. In 2009, the Nomination, Remuneration and Appraisal Committee met two times to assess the performance of fulfilling duties of the Directors in the previous year and considered that all Directors had conscientiously performed their service contracts. Meanwhile, the nominations of senior management of the Company and changes in directors were reviewed and recommendations on the Independent Directors' remuneration standards were provided, with opinions subsequently submitted to the Board for consideration. For changes in directors for the year, please refer to "Changes in Directors, Supervisors and Senior Management" of this Report. For the work of the Nomination, Remuneration and Appraisal Committee during the year, please refer to "(II) Corporate Governance Structure" of this chapter.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Non-executive Directors should be appointed for a specific term, subject to re-election 	Yes	<ul style="list-style-type: none"> Directors are appointed for a term of three years. All directors are appointed at a general meeting and can be re-appointed upon expiry of the term. The consecutive terms of the independent directors shall not last more than six years.
<ul style="list-style-type: none"> Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment 	Yes	<ul style="list-style-type: none"> All directors are elected or replaced by Shareholders' General Meetings. The Company has introduced the cumulative voting system for the election of directors.
<ul style="list-style-type: none"> Each director should be subject to retirement by rotation at least once every three years 	Yes	<ul style="list-style-type: none"> The Company Law and the Articles of Association of the Company stipulate that each session of the Board is for a term of 3 years, each director is appointed for a term of three years and should retire upon the expiry of the three-year term. Any re-appointment is subject to re-election at a Shareholders' General Meeting. During the reporting period, members of the new session of the Board were elected and all directors have gone through the procedure of retirement and then re-election.

Recommended best practices:

- The Board of the Company has established the Nomination, Remuneration and Appraisal Committee. Xu Chang Xin, Fang Hung, Kenneth, Chen Dong Hua, Gao Bo and Zhang Yang are members of the committee, of whom three are Independent Non-executive Directors. The Chairman of the committee is Xu Chang Xin.
- The Company has formulated the "Detailed Rules for the Operation of the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the committee and has published its terms of reference on web sites. The Company provided sufficient resources for the committee to perform its duties. The major responsibilities of the committee are set out in "Specialized Committee of the Board" of this Chapter.
- As far as the election of an independent non-executive director is concerned, the Company will include the reasons for appointing the person and the independence statement in the notice of the general meeting and the circular to the shareholders.

A5. Responsibilities of Directors

Code principle	<ul style="list-style-type: none"> Each director is required to keep abreast of responsibilities as a Director of the issuer and of the conduct, business activities and development of the issuer.
The best corporate governance status	<ul style="list-style-type: none"> The Company has formulated the "Rules of Proceedings of Board of Directors Meetings", "Detailed Rules for the Operation of Committees" and "Detailed Rules for the Operation of Independent Directors" to specify the responsibilities of all directors so as to ensure that all directors understand their roles and duties thoroughly. The Secretary to the Board is responsible for ensuring that all directors obtain the Company's latest business development and updated statutory information on the Company's latest business development.

Corporate Governance Report

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Each new director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper responsibilities under legal requirements and the regulatory policy 	Yes	<ul style="list-style-type: none"> A comprehensive information package and relevant training which comprises an introduction to the Group's operations, a brief introduction to directors' responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment. All non-executive directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management. The Secretary to the Board is responsible for ensuring that all directors obtain the latest information on the Listing Rules and other statutory requirements.
<ul style="list-style-type: none"> Responsibilities of Non-executive directors 	Yes	<ul style="list-style-type: none"> Non-executive directors have actively participated in board meetings and served as committee members, reviewed the progressing of the Company's business objectives and provided independent opinions on the Board's decision making.
		<ul style="list-style-type: none"> Responsibilities of Non-executive directors include: <ul style="list-style-type: none"> Independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings of the issuer; Take a leading and guiding role on potential conflicts of interests; Serve on the audit, remuneration, nomination and other governance committees, if invited, and; Scrutinize the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance of the Company.
<ul style="list-style-type: none"> Each director should ensure that he/she can give sufficient time to the affairs of the Company 	Yes	<ul style="list-style-type: none"> All directors have worked hard and faithfully performed their duties. There was satisfactory attendance at board meetings and meetings of the various committees in 2009. For records of attendance of the meetings, please refer to the relevant section of this Chapter.
<ul style="list-style-type: none"> Directors must comply with the Model Code as set out in Appendix 10 	Yes	<ul style="list-style-type: none"> The directors of the Company have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Hong Kong Listing Rules in 2009. The Board has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" as a written guideline for the trading of securities of the Company by the relevant employees. The model code's standards on securities transactions by directors are not lower than the requirements of the "Model Code for Securities Transactions by Director of Listed Issuers".

Recommended best practices:

- All directors will have opportunities to receive professional training arranged by the Company for them during their terms of office. During the year, the Company have arranged Directors Chen Xiang Hui and Du Wen Yi Supervisors Yang Gen Lin, Sun Hong Ning, Hu Yu, Yan Shi Min and Shao Li to attend specialized training arranged by the securities regulatory authorities.
- Each director regularly provides information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as directors or supervisors in listed companies in the previous three years) and other major commitments. Details of the position currently held and concurrently held by directors in other listed companies are disclosed in this Annual Report.
- All non-executive directors have attended board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision making. Most non-executive directors have attended the Shareholders' General Meetings of the Company.

A6. Supply of and Access to Information

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

Compliance procedures of the Code – Code provisions and recommended best practices

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

Corporate Governance Report

B. Remuneration of Directors and Senior Management

B1. The Level and Make-up of Remuneration and Disclosure

Code principle	<ul style="list-style-type: none"> The Company should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration package for all directors. No director should be involved in deciding his/her own remuneration.
The best corporate governance status	<ul style="list-style-type: none"> The Company has established the Nomination, Remuneration and Appraisal Committee, with its scope of duties including formulating and reviewing the remuneration policy and plan for the Company's directors and managers. Except for the two external non-executive directors and four independent non-executive directors who received directors' remuneration, the remaining directors have not received any directors' remuneration from the Company. The remuneration for independent non-executive directors is determined with reference to the average market level and the Company's current status. Executive directors have received management remuneration from the Company. During the year, no director participated in determining his/her own remuneration. During the year, the remuneration paid by the Company to two non-domestic independent directors amounted to HK\$300,000 each person per year. The remuneration paid to four domestic independent directors amounted to RMB50,000 each person per year. Other than remuneration, independent directors have not received other compensation from the Company.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The Issuer should establish the Remuneration Committee with a majority of members of the committee are independent non-executive directors 	Yes	<ul style="list-style-type: none"> The Board of the Company has established the Nomination, Remuneration and Appraisal Committee. For details please refer to the section A4 "Appointment, Re-election and Removal" in this Chapter.
<ul style="list-style-type: none"> The Remuneration Committee should consult the Chairman or the Chief Executive Officer about their proposals relating to the remuneration of other executive directors 	No	<ul style="list-style-type: none"> Other than the General Manager who serves as executive director, the Company does not have other executive directors. The General Manager receives management remuneration but not directors' remuneration.
<ul style="list-style-type: none"> The responsibilities of the Remuneration Committee 	Yes	<ul style="list-style-type: none"> The Company has formulated the "Detailed Rules for the Operation of the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the Committee.
<ul style="list-style-type: none"> The Remuneration Committee should make available its terms of reference and be provided with sufficient resources to discharge its duties 	Yes	<ul style="list-style-type: none"> The terms of reference have been published on the Company web site. The Company will provide sufficient resources for the Committee to discharge its duties.

Recommended best practices:
<ul style="list-style-type: none"> The remuneration of executive directors and senior management has been generally linked with corporate and individual performance. The Company has disclosed the remuneration of each director, supervisor and member of senior management with their names in the annual report and accounts. For details please refer to "Directors, Supervisors, Senior Management and Staff" of this annual report.

C. Accountability and Audit

C1. Financial Reporting

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

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The management will provide such explanation and information to enable the Board to make assessment of the relevant matters 	Yes	<ul style="list-style-type: none"> The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all directors to make assessment with merits on the financial and other information submitted to them for approval.
<ul style="list-style-type: none"> Directors should acknowledge their responsibilities for preparing the accounts; there should be a statement by the auditors about their reporting responsibilities in the report; 	Yes	<ul style="list-style-type: none"> Directors have been responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year. The auditors' report stated the reporting responsibilities.
<ul style="list-style-type: none"> If directors are aware of material uncertain incidences or situations which may affect the issuer's ongoing operation capability seriously, directors should disclose and discuss such uncertainties in detail in the "Corporate Governance Report". 	Yes	<ul style="list-style-type: none"> The Company is not aware of any material uncertain incidence or situation which may affect the Company's ongoing operation capability.
<ul style="list-style-type: none"> The board should present a balanced, clear and comprehensible assessment of the Company's performance in regular reports, announcements on share price-sensitive information and other financial information required to be disclosed 	Yes	<ul style="list-style-type: none"> The Board gave an objective, fair and clear presentation of the Group's position and prospects in all circulars issued to shareholders.

Recommended best practices:

- Apart from issuing annual results and interim results reports, the Company has prepared and issued the results reports for the first and third quarters pursuant to the requirements of the Shanghai Stock Exchange. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter. The information disclosed would be sufficient for shareholders to assess the performance, financial position and prospects of the Company.

Corporate Governance Report

C2. Internal Control

Code principle	<ul style="list-style-type: none"> The Board should ensure that the issuer maintains sound and effective internal control to safeguard the shareholders' investment and the issuer's assets.
The best corporate governance status	<ul style="list-style-type: none"> The Board has authorized the management of the Company to establish and implement the internal control system and conduct reviews on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. For details, please refer to the section "Self-evaluation Report on Internal Control by the Board of Directors of Jiangsu Expressway Company Limited" in this Chapter. The Company has established the internal audit department within the organization framework to conduct regular review, supervision and assessment on the financial position, operating and internal control activities according to different businesses and flow. It also engages external audit institutions to regularly audit the financial reports of the Company pursuant to the PRC and Hong Kong accounting standards and to offer independent and objective assessments and suggestions in the form of audit reports .

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Directors should conduct at least once a year a review of the effectiveness of the internal control system (including financial control, operating control, compliance control and risk management functions) 	Yes	<ul style="list-style-type: none"> Currently, the Company has established the internal control system. For details, please refer to the section "Self-evaluation Report on Internal Control" in this Chapter.

Recommended best practices:
<ul style="list-style-type: none"> The Company has ensured that the information disclosed in all circulars issued to shareholders are meaningful information and that the information do not contain misrepresentations, misleading statements or major omissions and is jointly and severally responsible for the truthfulness, accuracy and completeness of the statements contained therein.

C3. Audit Committee

Code principle	<ul style="list-style-type: none">• The Audit Committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.
The best corporate governance status	<ul style="list-style-type: none">• The Company has established the Audit Committee and Chen Dong Hua, Fan Cong Lai and Du Wen Yi are members of the committee. All of them have expertise and experience in financial management. All members are non-executive directors, of whom Chen Dong Hua and Fan Cong Lai are independent directors. Mr. Chen Dong Hua is an independent director possessing professional qualifications and professional experience in financial management. He took up the position as Chairman of the committee.• The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The scope of responsibility is specified clearly in "Detailed Rules for the Operation of the Audit Committee".• The Audit Committee held six meetings in 2009 , including four meetings to review periodic reports and two meetings to discuss with the external auditors in respect of the annual results audit and the review of the interim financial report. At such meetings, all members attended, and the management and the financial controller reported on the financial position of the Company and major matters related to internal control.• During the year, the Audit Committee made two direct contacts with external auditors of the Company, before the preparation of the annual auditor's report and the interim review report, to understand the procedures and principles for the preparation of the auditors' report and to discuss the relevant issues with the auditors, so as to serve as a basis for evaluation.

Corporate Governance Report

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary of the meeting and should be confirmed by all members of the Committee 	Yes	<ul style="list-style-type: none"> The Secretary to the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the Committee. The minutes reflected the consideration and voting situations of the meetings in an objective and detailed way and were signed by all directors attending the meetings for confirmation.
<ul style="list-style-type: none"> A former partner of the existing auditors should not sit on the Audit Committee 	Yes	<ul style="list-style-type: none"> None of the Audit Committee members is a former partner of the external auditors.
<ul style="list-style-type: none"> The terms of reference of the Audit Committee should be made available in a timely manner 	Yes	<ul style="list-style-type: none"> The Company has formulated the “Detailed Rules for the Operation of the Audit Committee” to specify the terms of reference, the work procedures for the Committee and the authorities granted by the Board so as to meet the Code’s requirements. This has been published on the Company’s website.
<ul style="list-style-type: none"> The Board should obtain opinions from the Audit Committee on the selection or removal of external auditors 	Yes	<ul style="list-style-type: none"> The Audit Committee makes recommendations on the selection or removal of external auditors to the Board, subject to approval at the general meeting after consideration by the Board.
<ul style="list-style-type: none"> The Audit Committee should be provided with sufficient resources to discharge its duties 	Yes	<ul style="list-style-type: none"> The Audit Committee may seek necessary independent professional advices pursuant to the established procedures at the costs of the Company. No such event took place during the year.

Recommended best practices:

- There are members of the Audit Committee who act as main representatives between the Company and external auditors and are responsible for monitoring and coordinating the relationship between the parties.

D. Delegation by the Board

D1. Management Functions

Code principle	<ul style="list-style-type: none"> The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.
The best corporate governance status	<ul style="list-style-type: none"> The main functions and duties of the Board include convening the shareholders’ general meetings; making decisions on the Company’s operational plans, investment proposals and establishment of the internal management organization; preparing the Company’s annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the shareholders’ general meetings. The Board may delegate part of its functions and duties to specialized committees, directors’ working teams and the management and specify matters requiring approval by the Board.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> When the Board delegates aspects of its management and administration functions to the management, it must at the same time give clear directions as to the authorities of the management 	Yes	<ul style="list-style-type: none"> The management is accountable to the Board. Its main functions and duties include being in charge of the Company's production and operation management, organization and implementation of the annual operational plans and investment proposals approved by the Board, and implementation of the resolutions passed by the Board. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings. The Board has issued clear guidelines on the rights and responsibilities of the management.
<ul style="list-style-type: none"> The issuer should separately identify functions reserved to the Board and those delegated to the management and conduct reviews on a regular basis 	Yes	<ul style="list-style-type: none"> The Company has specified the matters that required to be resolved at Board meetings in the "Detailed Rules for the Operation of General Manager" and reviewed the same regularly.

Recommended best practices:

- The Company has specified the separate functions and duties between the Board and the management in the "Articles of Association", the "Rules of Proceedings for Board of Directors Meetings" and the "Detailed Rules for the Operation of General Manager", which have been published on the Company's website.
- Each newly appointed director will receive a formal appointment letter specifying the major terms and conditions of the appointment.

Corporate Governance Report

D2. Board Committees

Code principle	<ul style="list-style-type: none"> Board committees should be formed with specific written terms of reference which deal clearly with the committees' authorities and duties. 																																																																											
The best corporate governance status	<ul style="list-style-type: none"> The Board of the Company has established three specialized committees, including the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee. The Board selects and appoints members of each committee by taking into account the expertise and experience of each director so that each committee can commence its work with high efficiency. Most members of the Audit Committee and the Nomination, Remuneration and Appraisal Committee are independent non-executive directors. Each committee has defined rules for operation which deal clearly with the committee's authority and duties as well as the procedures for handling matters. Meetings of all committees will be convened regularly to report their working progress and discussion results to the Board. Most members have actively participated in committee affairs. The Secretary to the Board offers comprehensive assistance to facilitate commencement of the work of all committees. <p>Records of Attendance of Meetings of Specialized Committees in 2009 (Attendance/ Number of Meetings)</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Position</th> <th>Strategy Committee</th> <th>Audit Committee</th> <th>Nomination, Remuneration and Appraisal Committee</th> </tr> </thead> <tbody> <tr> <td>Shen Chang Quan</td> <td>Chairman</td> <td>1/1</td> <td>—</td> <td>—</td> </tr> <tr> <td>Qian Yong Xiang</td> <td>Executive Director</td> <td>—</td> <td>—</td> <td>—</td> </tr> <tr> <td>Sun Hong Ning</td> <td>Non-executive Director</td> <td>—</td> <td>—</td> <td>2/2</td> </tr> <tr> <td>Chen Xian Hui</td> <td>Non-executive Director</td> <td>1/1</td> <td>—</td> <td>—</td> </tr> <tr> <td>Zhang Yang</td> <td>Non-executive Director</td> <td>—</td> <td>—</td> <td>2/2</td> </tr> <tr> <td>Du Wen Yi</td> <td>Non-executive Director</td> <td>—</td> <td>4/4</td> <td>—</td> </tr> <tr> <td>Cui Xiao Long</td> <td>Non-executive Director</td> <td>1/1</td> <td>—</td> <td>—</td> </tr> <tr> <td>Cheng Chang Yung</td> <td>Independent</td> <td>—</td> <td>—</td> <td>2/2</td> </tr> <tr> <td>Tsung, Alice</td> <td>Non-executive Director</td> <td>—</td> <td>—</td> <td>2/2</td> </tr> <tr> <td>Fang Hung, Kenneth</td> <td>Independent</td> <td>—</td> <td>—</td> <td>2/2</td> </tr> <tr> <td>Yang Xiong Sheng</td> <td>Independent</td> <td>—</td> <td>2/2</td> <td>2/2</td> </tr> <tr> <td>Fan Cong Lai</td> <td>Independent</td> <td>1/1</td> <td>4/4</td> <td>—</td> </tr> <tr> <td>Chen Dong Hua</td> <td>Independent</td> <td>—</td> <td>2/2</td> <td>—</td> </tr> <tr> <td></td> <td>Non-executive Director</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>For the 2009 work reports of the respective committee, please refer to this Chapter.</p>	Name	Position	Strategy Committee	Audit Committee	Nomination, Remuneration and Appraisal Committee	Shen Chang Quan	Chairman	1/1	—	—	Qian Yong Xiang	Executive Director	—	—	—	Sun Hong Ning	Non-executive Director	—	—	2/2	Chen Xian Hui	Non-executive Director	1/1	—	—	Zhang Yang	Non-executive Director	—	—	2/2	Du Wen Yi	Non-executive Director	—	4/4	—	Cui Xiao Long	Non-executive Director	1/1	—	—	Cheng Chang Yung	Independent	—	—	2/2	Tsung, Alice	Non-executive Director	—	—	2/2	Fang Hung, Kenneth	Independent	—	—	2/2	Yang Xiong Sheng	Independent	—	2/2	2/2	Fan Cong Lai	Independent	1/1	4/4	—	Chen Dong Hua	Independent	—	2/2	—		Non-executive Director			
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Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The Board should specify clearly the terms of reference of the committees so that the committees can perform their duties properly 	Yes	<ul style="list-style-type: none"> The three committees established by the Board have adopted their respective detailed rules of operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".
<ul style="list-style-type: none"> The terms of reference of the committees should require them to report to the Board their decisions and recommendations 	Yes	<ul style="list-style-type: none"> The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board.

E. Communication with Shareholders

E1. Effective Communications

Code principle	<ul style="list-style-type: none"> The Board should endeavour to maintain on-going dialogues with shareholders and in particular, by means of annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The best corporate governance status	<ul style="list-style-type: none"> The Board endeavoured to maintain on-going communications with shareholders and regarded the annual general meeting as a major opportunity to contact individual shareholders. All shareholders holding shares of the Company are entitled to attend the annual general meeting. The Company issues shareholders' circular at least 21 days before a general meeting. The Company issues the notice and the attached annual report, which contain the matters for consideration at the meeting and the voting procedures in detail, at least 45 days before the annual general meeting.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting 	Yes	<ul style="list-style-type: none"> Separate resolutions were proposed at the general meeting on each substantially separate issue, including the election of individual directors.
<ul style="list-style-type: none"> The chairman of the Board should attend the annual general meeting and arrange for chairmen or members of the committees to be available to answer questions at the meeting 	Yes	<ul style="list-style-type: none"> The chairman of the Board has attended and presided over the annual general meeting and has arranged for representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting.
<ul style="list-style-type: none"> The chairman of the respective committees should also be available to answer questions at any general meeting which would approve a connected transaction or any other transaction that is subject to independent shareholder approval. 	Yes	<ul style="list-style-type: none"> During the year, no connected transaction or transaction requiring independent shareholder approval was submitted to the general meeting for approval. Each year, the Company arranges Independent Directors to give their independent opinions and report to shareholders on matters that are subject to independent shareholder approval during the year, and answer questions raised by shareholders at the Annual General Meeting.

Corporate Governance Report

E2. Voting by Poll

Code principle	<ul style="list-style-type: none"> The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirements contained in the "Listing Rules" and the "Articles of Association".
The best corporate governance status	<ul style="list-style-type: none"> The Company has formulated the "Rules of Proceedings for General Meetings" specifying the voting format and the voting procedures of shareholders' general meetings and ensured that the procedures comply with the requirements contained in the "Listing Rules" and the "Articles of Association". The Company confirmed the validity of all the voting shares present at the meeting and appointed external auditors and shareholders as scrutineers and appointed lawyers to issue letters of legal opinions on the final voting results. The voting results have been published in designated newspapers and websites.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The procedures for voting by poll and the right of shareholders demanding voting by poll should be disclosed in the circular of the general meeting. The chairman of a meeting and/or directors who individually or collectively hold proxies should disclose the votes represented by all proxies held by directors at the meeting 	Yes	<ul style="list-style-type: none"> The notice of a general meeting and the attached circular contained the details of the matters for consideration at the meeting and the voting procedures. The relevant procedures were also explained at the meeting. The chairman of the meeting disclosed the voting rights represented by proxies during voting.
<ul style="list-style-type: none"> Ensure the votes cast are properly counted and recorded 	Yes	<ul style="list-style-type: none"> The Company appointed external auditors and shareholder representatives as scrutineers to properly count and record the valid votes. The Company appointed lawyers to issue letters of legal opinions on the final voting results.
<ul style="list-style-type: none"> The chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting 	Yes	<ul style="list-style-type: none"> The chairman of the meeting took care of the meeting procedures and questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions.

(IV) Information Disclosure

The Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting requirements and procedures for disclosing such information. In order to ensure that all shareholders be informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary to the Board is responsible for performing information disclosure. Since listing, the Company has been striving to comply with the relevant laws and listing rules on the principles of fairness, equality and openness to dutifully perform its statutory disclosure obligations. On top of this, the Company has actively gained understanding of the key concerns of investors and enhance the extent of voluntary disclosure to upgrade the quality of information disclosure and increase transparency of the Company.

During the reporting period, the “Administrative Measures for the Disclosure of Information of the Company” has been duly complied with. In accordance with the requirements of the listing rules of the Shanghai and Hong Kong stock exchanges, the Company published four periodic reports, 33 ad hoc announcements and relevant information to disclose in details on important corporate information and progress of major matters, including: operating results, financial information, dividend payment, daily operations, project investments, financing activities, connected transactions, change in directors and supervisors for the new session, and news of the shareholders’ general meeting, the resolutions of Board and the Supervisory Committee. Announcements of the Company were published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

(V) Investor Relations and Communication

Investor relations is a pro-active way for a listed company to maximize its value. The management of the Company attaches great importance to investor relations. The Company has formulated the “Work System of Investor Relations Management” which reinforces investor relations management through management structure and internal system.

During the reporting period, the Company has, in strict compliance with relevant requirements, adequately disclosed its information to investors. The Company disclosed important information and matters which may affect investors’ interests by issuing periodic and ad hoc announcements, aiming at raising the quality of information disclosed. The Company’s website is another important platform to develop investor relations. Through the website, the Company regularly publishes its operation updates and information which may interest investors, thereby allowing investors to timely and clearly understand the Company’s most updated development and increasing the Company’s transparency. We also answered questions raised by investors through the web exchange platform and carried out some basic communication.

Corporate Governance Report

The core of investor relations is effective communication. Through two-way and interactive communications with investors, a win-win situation is achieved for both parties. During the year, the Company also kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas roadshows, regular meetings with visiting investors and analysts, teleconferences. During the year, 11 large-scale roadshows and presentation events were held. Over 60 one-to-one meetings and small group meetings were held; over 20 meetings with domestic and foreign investors for field inspection and research, two visits by fund delegations and over 40 teleconferences. With various platforms and channels, the Company has fully and effectively communicated with domestic and foreign investment funds and research institutions which followed on the Company. Details of the activities are as follows:

January	Participated in the "9th Greater China Conference" organized by UBS Warburg in Shanghai Participated in the "Access China Conference" organized by Deutsche Bank AG in Beijing
April	Held 2008 annual results presentation and roadshows in Hong Kong
June	Participated in the "Investment Forum" organized by JP Morgan in Beijing
July	Participated in the Medium-term Investment Strategy Seminar organized by Orient Securities in Shanghai
August	Held 2009 interim results presentation and roadshows in Hong Kong
September	Participated in the "China Investment Forum" organized by CLSA Asia-Pacific Markets in Shanghai The management conducted presentation and roadshows in the USA
November	Participated in the "China Investment Summit" organized by Merrill Lynch Securities in Beijing
December	Participated in the "Annual Investment Strategy Seminar" organized by Essence Securities in Shenzhen Participated in the "Annual Investment Strategy Seminar" organized by Guotai Junan Securities in Hainan

The Company, through active investor relations programs, aims at increasing its transparency, enhancing communications, and increasing investors' understanding of and trust in our businesses. It also aims at building investors' confidence in our future developments and promoting market recognition and support to the Company, so that the Company's business development potential and actual value will be fully reflected in the market. Meanwhile, market feedback was also collected broadly through investors relations activities with a view to enhancing the Company's corporate governance standards and operating management. During the year, the Company regularly gathered views and suggestions from industry analysts on the operating positions and development strategies of the Company through its investor relations consultants. Questionnaires on investors relations management were sent by e-mail to understand the market's assessments and suggestions on the Company's investors relations management, communication modes and disclosure quality as well as the market's concerns about the Company. These initiatives have laid a foundation for the formulation of the next-stage work plan on effective investors relations management and for organizing purposive investor relations activities.

(VI) Shareholder Return

Since its listing, the Company has been maintaining high return for the shareholders. The Company has been paying cash dividends for 12 consecutive years, with an aggregate of approximately RMB10.084 billion cash dividend distributed. For 2009, the Board recommended the distribution of a cash dividend of RMB0.31 per share, equivalent to approximately 87.34% of the distributable profit (subject to deduction of 10% Statutory Reserve) of the year.

	2003	2004	2005**	2006	2007	2008	2009
Earnings per share *	0.189	0.164	0.133	0.233	0.318	0.308	0.399
Dividend per share (tax inclusive)	0.145	0.145	0.145	0.19	0.27	0.27	0.31
Payout ratio	76.72	88.41	109.02	81.55	84.90	87.66	77.69

* Earnings per share refers to the basis of profitability for distribution of dividends.

** This refers to the special dividends for the distribution of the unappropriated profits of the Company for the year 2005.

Ensuring a long-term and stable return for shareholders remains the top priority of the Company. Although the gearing and financing costs of the Company were high in recent years, the Company will respect its investors' long-term interest and their interest of gaining on current returns, and will therefore maintain the policy of high dividend payout ratio in the coming years.

(VII) Domestic and Overseas Auditors

The Audit Committee of the Company is responsible for the appointment, resignation and replacement of domestic and overseas auditors and assessing the quality of the service provided and the reasonableness of audit fees, and submitting its recommendations thereon to the Board. Matters related to appointment and replacement of auditors and determination of audit fees will be proposed by the Board to the general meeting for approval.

At the 2008 annual general meeting of the Company, it was approved that Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu would continue to be appointed as the domestic accountants and overseas auditors, respectively of the Company for 2009. Auditing fees for the year amounted to RMB2.1 million, basically at par with 2008. The Company did not pay any other fees and there were no charges that might have affected the auditors' independence.

The above-mentioned auditing firms have been providing audit services to the Company for seven consecutive years since 2003. In 2008, such auditing firms changed the partner responsible for the auditing work provided to the Company.

Corporate Governance Report

(VIII) Self-evaluation Report on Internal Control by the Board of Directors of Jiangsu Expressway Company Limited

The board of directors (the "Board") of the Company and all members of the Board warrant that there are no false representations or misleading statements contained in, or material omissions from, this report, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

• Objectives of Internal Control

It is the responsibility of the Board and the management of the Company to establish a comprehensive and effective internal control. The establishment and enhancement of the Company's internal control system is geared towards having comprehensive risk management as the objective. We set out to further enhance the Company's governance structure and to establish a scientific operation management system and a clear responsibility monitoring system. This is aimed to achieve the control targets of having a sound management system, clearly-defined responsibilities at various levels, comprehensive supervision and assessment, effective internal control, regulated operation and production and accurate statistics, so as to effectively prevent operational and management risks, preserve and increase the value of the Company's assets, and facilitate a sustainable, healthy and stable development of the Company.

Due to its inherent limitations, the internal control can only provide reasonable assurance for achieving the above objectives. In addition, the effectiveness of the internal control may vary due to changes of the internal, external and operational environments of the Company. The Company's internal control has an inspection and supervision mechanism. If any defect of internal control is identified, the Company will make corresponding rectifications immediately.

• Principles of Internal Control

The Company's internal control complies with the following principles:

- 1. Principle of Timeliness:** The formulation of the Company's internal control system has taken into account the forward-looking issue. In view of changes in the internal environment including operating strategies, operating policies and operating philosophy of the Company as well as changes in the external environment including the State's laws and regulations, policies and systems, the internal control system may be amended or enhanced correspondingly in a timely manner.
- 2. Principle of Effectiveness:** The formulation of the Company's internal control system and its various measures are practicable to the Company. The harmonization and coordination between each system are taken into account in order to avoid contradictions and conflicts. It is also ensured that the relevant systems will be effectively implemented, and that problems are reported and rectified in a timely manner.
- 3. Principle of Completeness:** The internal control system of the Company covers the management flows and aspects of various businesses; as well as various departments and staff positions of each business unit. All staff members are involved in the internal control system.
- 4. Principle of Prudence:** The core of the Company's internal control system is risk control. The formulation of the internal control system should be premised upon as prudent operation and prevention and resolution of risks, aiming at avoiding, preventing or mitigating operating risks.

• **Framework of Internal Control System**

The Company's internal control system was established based on five major components: control environment, risk assessment, control activities, information and communication, and supervision and inspection. Accordingly, six sub-systems were developed, namely the internal control environment system, the risk assessment system, the financial control system, the operation control system, the internal control support system and the control system for branches, subsidiaries and investees.

At present, the Company sets up an internal control system which have 39 first-tier systems, 170 second-tier systems, 365 management forms and 17 flowcharts, covering risks control points for various aspects of the Company. The Company also amends and enhances the system in accordance with the production and management needs every year in order to realize effective control over risks.

• **Inspection and Supervision of Internal Control**

The Company performs regular and irregular inspections over the implementation of the internal control system. The relevant information in respect of on-going supervision and inspection is disclosed through monthly assessments. Each business unit and staff commit self-improvements on failed items in a timely manner. All business departments of the Company participate in the yearly self-assessment, conduct systematic and comprehensive reviews on the implementation of internal control, and issue written assessment reports upon review conclusion.

Upon identifying internal control defects through the process of on-going supervision and inspection, the Company reports in a timely manner through channels of writing and conference. Upon identifying problems during the annual internal control inspection, the Company reports to the management through self-assessment reports. Upon identifying material defects or material risks during the process of supervision and inspection, the Company reports to the Board and the Audit Committee.

Through inspection and supervision, the Company conducts objective analysis on defects in the internal control. Rectification proposals against the defects are proposed and implemented, aiming at improving the internal control system and procedures on a continuous basis.

The Audit Committee conducts evaluation on the effectiveness of the internal control upon the end of the year, and report to the Board by preparing an annual evaluation report.

• **Evaluation of Internal Control**

In 2009, pursuant to the requirements of "Basic Principles on Corporate Internal Control" and the "Outline on Corporate Internal Control", also in light of the actual situations of the Company's toll collection and operation, the Company prepared the "Implementation Scheme for Self-Evaluation of Internal Control" which comprises five aspects namely, environment control, risk identification and evaluation, control measures, information and communication and supervision, 21 evaluation items and the "Internal Control Self-evaluation Form" with 133 evaluation points, in order to conduct evaluation by tier and by level.

The Board of the Company conducted self-evaluation on all the above-said aspects of the Company's internal control for the year and no material defect was found in the design and implementation of the internal control system. With basic evaluations on various core components in the internal control system as well as inspection, supervision and evaluation implemented during the year, the Board was of the view that the Company's internal control system and its implementation were basically sound and effective between 1 January this year and the end of this reporting period, and has fulfilled the requirements of various aspects including corporate governance, operation, management, finance, investment and administration and human resources management, effectively controlling various operation management risks of the Company.

This report was considered and approved at the ninth meeting of the sixth session of the Board on 19 March 2010. The Board of the Company and all members of the Board severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content contained herein.

No accounting firm was retained for verification and appraisal of the Company's internal controls for the year.

The Board of Directors
Jiangsu Expressway Company Limited

19 March 2010

Corporate Governance Report

(IX) Corporate Social Responsibility Report

The Board of Directors of the Company and its members confirm that this report does not contain any false information, misleading statements or material omissions and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.



As a listed company in the transportation and infrastructure industry principally engaged in investment, construction, operation and management of toll roads and bridges, the Company has committed to its mission and social responsibilities since its establishment: to enhance the efficiency of public transportation; to provide the public with a safe, speedy and comfortable traffic environment; to contribute to the economic development of the society; and to maintain harmonious development between the corporation and the society. In the course of development and growth, the Company has realised that corporate wealth originates from the recognitions of the public on our products and services. Hence, apart from making profit and protecting shareholders' interest, we also assume a wide range of social responsibilities, including the responsibilities toward stakeholders such as employees and consumers, as well as the community and the environment. The continuous support of the society, customers, shareholders and employees ensure the sustainable development of the Company's operations. In return, the Company honors its social responsibilities and obligations on the principles of integrity and trust, repaying the society and serving the general public.

• Stakeholders

The Company recognizes that the continuous and healthy development of a corporation hinges on a harmonious internal environment and a friendly external environment. The Company cares and respects the interests of all stakeholders and undertakes the responsibilities toward its stakeholders. We seek to maintain good relationships with all stakeholders, including government departments, shareholders and customers, as well as employees and the public, while striking a balance of interests among them.

With respect to the stakeholders, the Company undertakes social responsibilities by fulfilling the following policies. We manage our business to support the society's development and in compliance with the regulatory requirements of the government. We contribute to the community by paying taxes. We serve our customers by providing safe, speedy and comfortable transportation services. In respect of shareholders' return, we endeavor to enhance corporate values and maintain a stable and high dividend payout ratio. As for our employees, we seek to improve their performance by providing an excellent working environment and chances for development. The interests and rights of our employees are well protected. We serve the underprivileged by participating in community services to promote harmonious social development. Through proactive implementation of the above-said policies, the Company is dedicated to being a responsible corporate citizen, putting social responsibilities into practice in our daily operation, corporate culture, management philosophy and development strategies.

1. Social and economic services

As vital components in the modern transportation system, the network of expressways is an indispensable infrastructure in the modern society. Compared to other transportation means, expressways in centralizing the use of various resources, enhancing transportation efficiency, optimizing the special distribution of industries and facilitating urbanisation. Expressways enable the interaction of economic and social activities and contribute very much to the economic and social development. The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. We have the social responsibilities to facilitate social and economic development by providing transportation services. As at the end of 2009, the highway network owned or invested by the Company exceeded 700km, including 433km of expressways, representing approximately 11.5% of the total mileage of expressways in the province. The roads and bridges owned or invested by the Company are major passages linking east-to-west and south-to-north in Jiangsu Province, playing an important role in the regional transportation network and making significant contribution to the economic development and social advancement in the region.

Since the operation of the Company, the problem of heavy traffic along our highways has been much alleviated and the infrastructure in the southern Jiangsu region as well as the whole Jiangsu Province has been substantially enhanced, promoting the rapid social and economic development of the areas along the highways. In particular, the completion of the expansion of the 8-lane Shanghai-Nanjing Expressway at the end of 2006 resolved the limitation on the development of the high-technology industry area along Shanghai-Nanjing Expressway, enhancing the international competitiveness of the southern Jiangsu region, facilitating the communication between Jiangsu and other parts of the country and promoting the economic development of the Yangtze River Delta. Since its commencement of operation, the Company has realised an aggregate gross profit of approximately RMB17.197 billion with aggregated tax contribution of RMB5.879 billion, one of the major tax contributors in Jiangsu.

In line with the government's policy on stabilizing commodity prices and its launch of a "Green Passage" for the transportation of fresh agricultural products and live stock, Shanghai-Nanjing Expressway of the Company has offered free toll services for all vehicles meeting the requirements of the "Green Passage" policy since March 2008. As at the end of 2009, total toll fees waived for vehicles using "Green Passage" amounted to approximately RMB161.29 million, and approximately 967,000 vehicles used the free "Green Passage". The expressways of the Company have fulfilled their social responsibilities.

2. Customer services

As an administrator and operator of expressways, the Company places utmost importance on the responsibilities and obligations to ensure road safety and provide our customers with unimpeded, convenient and comfortable passages. Through continued quality road maintenance and traffic control, the Company creates a safe and smooth traffic environment with secured road quality and safety, civilized services as well as emergency measures. To improve traffic flow, electronic toll collection (ETC) passages installed on Shanghai-Nanjing Expressway commenced operation at the beginning of 2009. As at the date of this report, 25 ETC passages have been installed. Total traffic flows through ETC passages on Shanghai-Nanjing Expressway in the year amounted to 334,000 vehicles, with total toll fees of RMB45.69 million. The convenience of ETC is well-recognized by road users.

The Company is always committed to offering quality and modern services to our customers and providing training to our employees to enhance their skills and services. We build up our reputation by continuously improving services through heeding customers' complaints. The Company also conducts regular customer surveys to keep on improving service quality and enhancing customer satisfaction, striving to become a first-tier service provider. Since its commencement of operation, the quality services provided by the Company has been well-recognized by the community, as evidenced by the title of "National Model Entity" respectively in 2005 and 2009, as well as many other provincial awards.

Corporate Governance Report

3. Shareholders and investors

The Company's business objective is to maintain stable long-term returns for our shareholders. The Company enhances its corporate value and maximizes its shareholder return through continued development. The Company has been maintaining a high return for the shareholders. The Company has been distributing cash dividends for 13 consecutive years since its listing. As at the end of 2009, total cash dividends amounted to RMB10.084 billion, or RMB2.0017 per share, was paid. The average annual dividend payout ratio was approximately 78.82%. Shareholders are awarded with satisfactory return from the development of the Company. Having considered the long-term interests of investors and the current level of income, the Company will maintain a high dividend payout ratio in the coming years.

The Company ensures that all shareholders, including minority shareholders, have equal and sufficient access to matters relating to the Company. Since its listing, the Company has performed its statutory obligation of disclosing information faithfully. The Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the investors. In addition, the Company voluntarily discloses more information in response to the concerns of its investors to enhance the quality of information disclosed and the transparency of the Company. The Company always attaches great importance to the management of investor relations. The Company encourages two-way interactions with investors, through which investors are equipped with better understandings on the Company's operations to make sound investment decisions. Feedbacks are also collected through investor relationship activities to enhance the corporate governance and operation management standards of the Company to achieve a win-win situation.

4. Caring for Employees

The Company appreciates the efforts and values contributed by its employees. The Company is committed to creating a safe and healthy working environment and offering comprehensive medical and retirement benefits to our employees. We value and protect the legal interests of our employees.

The Company fully summons the ambition and creativity of employees through implementing and improving its restriction and incentive scheme. Employees are encouraged to strive for their best. The Company organizes comprehensive training programmes and promotion systems to train up professionals to sustain its development and to create a promising development platform for its employees, thereby striking a win-win situation between the employees and the Company. In 2009, the Company further optimized its human resources policy to enhance the effectiveness of its human resources allocation. Through implementing a staff development program, management and technical staff were selected and trained with an intention for promotion. The Company adopted an internal recruitment system and to allow more development opportunities for its employees. Employees are openly invited for applications for 25 management positions.

The Company protects the legal interests of the employees and provides its employees with a number of social insurance schemes such as basic pension insurance, medical insurance, accident insurance, maternity insurance and unemployment insurance through the social insurance authority in accordance with the relevant laws and regulations. In 2009, the Company made full contributions of RMB49.52 million to all social security programs. In order to provide better protection for its employees, the Company has also voluntarily maintained additional commercial insurances including medical insurance and accident insurance for its employees. In 2009, the total commercial insurance premiums paid by the Company amounted to RMB9.28 million. The Company also adopted an annuity scheme, aiming at improving the living standards of its employees after retirement and building long-term caring relationships between the Company and its employees. In 2009, 2,905 employees of the Company were covered by the annuity scheme and a total contribution of RMB13.35 million was made. The contributions were vested to the employees under the custody of a qualified bank entrusted by the Company. Employees will be paid of their share of contribution in a lump-sum upon their retirement.



The Company implements comprehensive safe production measures in its daily operation to safeguard its employees. The Company has established OHSAS18001 Occupational Health and Safety System, which has been certified under international standards, to reinforce labor protection in accordance with the Production Safety Law and other relevant laws and regulations of the State. The Company endeavors to enhance the awareness and management standards on safe production of our management personnel. Through a wide variety of safety education, the Company raised employees' awareness on safe production and self-protection abilities so as to reduce and avoid industrial accidents, as well as minimize occupational safety risk.

The Company cares for its staff. We adopt active measures to provide its employees with a healthy and comfortable working and living environment. The Company also operates a paid-leave system and an annual program of "Complimentary Re-energizing Trip for Excellent Employee" to stimulate employees' enthusiasm in working towards excellence. The Company has enhanced the working environment and living standards of staff by improving the environment of office, toll stations, service areas, canteens and quarters for staff. Through furnishing and strengthening a wider range of leisure facilities, the Company strives to provide plentiful after-hours entertainment for front-line staff so as to enhance their satisfaction. The Company values the opinions of employees. We promptly respond to their views and appeals by actively coordinating the relationships and resolving conflicts between different parties to build a harmonious working relationship. The Company cares about the employees' health and arranges annual health check for staff. High temperature allowances are paid and cooling measures are adopted in hot seasons. It also voluntarily extends prompt concern and assistance to staff in difficulties through offering grant-in-aid or arranging fund-raising. Such care and consolation intensify the employees' sense of belonging toward the Company.

5. Community services

Throughout the years, the Company has been actively participating in various community activities to contribute to our society. In 2008, after the Sichuan earthquake, the Company actively arranged donations from our employees, and received donations amounting to approximately RMB800,000. In 2009, the Company donated an aggregate of approximately RMB2.1 million for various community services, including a total donation of RMB900,000 to Sichuan for the re-establishment of education facilities destroyed by the earthquake. A total of RMB1.1 million was donated to the Foundation for Poverty Alleviation for the social development of impoverished regions. RMB100,000 was donated to the Foundation for Justice and Courage to promote social righteousness.

The Company emphasizes social accountability of its employees and encourages them to participate in various community services. Front-line groups of the Company have also actively participated in various volunteer activities and social services to give a helping hand to the needy in their community, including the elderly and the disabled, and contribute to the harmonious development of the community.

• Environmental protection as well as energy and resource conservation

1. Environmental protection

In its operation, the Company strictly complies with the local laws and environmental protection regulations and takes an active role in environmental protection. We recognize the importance of environment protection during execution of projects and adopt various effective measures for ecological protection and pollution prevention. We strive to minimize the damage of road operations to the surrounding environment, and realize sustainable development of the Company by maintaining a balance among corporate value, the living environment and natural resources.

Corporate Governance Report

Requirements for environmental protection are included in our tenders and contracts for road construction and maintenance projects. Bidders and contractors are required to demonstrate their devotion to environment protection in terms of organization, personnel and funds allocation. The Company also strengthens protection to land resources by limiting the use of agricultural lands for landfill and the removal of plantation. Restoration measures including backfill, recultivation and plantation will be adopted to restore the lands affected in road construction. In respect of river protection, the Company adopts construction techniques which are free of or with minimal water pollution. Swage is collected and treated before discharge. As for noise prevention, the Company arranges its construction program for different locations to minimize the impact of noises from machinery and vehicles upon residents in the neighbourhood. Plantation can prevent the erosion of land, reduce noise, purify air and beautify the environment. The areas along the expressways of the Company as well as the interchanges, road foundation slopes, slope platforms and service areas have extensive plantation.

The Company adopts measures to reduce noise from the operation of its expressways. Noise barriers of approximately 14km were constructed in 45 places along Shanghai-Nanjing Expressway which have high-level of noise pollution, thereby having effectively alleviated the impact of noise pollution to local residents. In addition, the Company regularly monitors the noise of certain sections of its expressways which are sensitive to noise pollution and noise reduction measures will be implemented when necessary. Passage of vehicles carrying toxic and hazardous chemicals are only allowed in special time slots to limit the damage of leakage. Drainage systems are installed in bridges running over major rivers, lakes and reservoirs to prevent contamination from leakages of hazardous materials from vehicles. Warning signs are also erected to draw drivers' attention to potential leakage. The Company has also installed effective sewage treatment devices in all management offices, service areas and tollgates along Shanghai-Nanjing Expressway so that sewage can be properly treated before discharge and the living environment of surrounding residents can be assured.

2. Energy and resources conservation

The Company has also gone to great lengths to establish itself as an energy-saving entity by adopting energy conservation measures. Each of our staff is encouraged to take the initiative to protect environment and save energy in every operation procedure, covering even the slightest details; reduce energy and materials wastage in operation and office consumables; participate in environmental protection and sustainable development; and eventually achieve the goal of energy saving, cost reduction and effectiveness enhancement.

In 2009, the Company endeavored to protect the environment, improve management quality and enhance work efficiency in accordance with the Energy Conservation Law of the State and the Opinions on Implementation for Energy-saving and Emissions Reduction (節能減排工作實施意見) of Jiangsu. In connection with the operation of toll collection, the Company devised its energy-saving objectives and formulated the Plan for Energy-saving and Consumption Reduction (節能降耗工作方案). Quantitative medium-to-long term energy-saving targets have been incorporated in its economic and management plans. In 2009, the Company adopted various effective operation and technical measures to control and manage the consumption of energy and materials in the use of water, electricity, gas, oil, vehicles and maintenance and hindrance clearance facilities. Consumption of resources were significantly reduced. Total consumption improved by more than the target 5%.



- **Conclusion**

Corporate social responsibilities are vital to the sustainable development of the society and economy. As a listed company, Jiangsu Expressway has the unshirkable responsibility in discharging its social responsibilities. The Company is committed to being a responsible citizen with integrity and assuming its responsibilities and obligations in facilitating the harmonious development of the corporation, the society and the nature. We recognize that major social responsibilities of a corporation and interests of relevant parties shall constantly change in different development stages. In this regard, we will regularly reassess our social responsibilities, enhance our self-awareness and review our measures to make further improvements in response to the needs, restraints and trends of the society.

Based on our belief that only brand values built on social responsibilities could shape the reputation of a corporate with dual focus on quality and branding, thereby accomplishing magnificent tasks and realizing long-term success, we will place the fulfillment of social responsibilities as an integral part of our brand development strategy. On our road toward long-term success, we have indeed been working hard - now more than over.

This report was considered and approved at the ninth meeting of the sixth session of the Board on 19 March 2010. The Board of Directors of the Company and all members of the Board of Directors severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content contained herein.

The Board of Directors

Jiangsu Expressway Company Limited

19 March 2010

Changes in Share Capital and Shareholders

(1) Changes in Share Capital

During the reporting period, there was no change in the total number of shares of the Company. Starting from 16 May 2007, the Company's circulating shares subject to selling restrictions totalling 286,399,104 shares have been successively listed in batches after their selling restriction period had expired. Therefore, the Company's shareholding structure has been changed.

Unit: Shares

	Prior to current movement		Current movement (+,-) Shares with selling restrictions circulated	After current movement	
	Number of shares	Proportion		Number of shares	Proportion
I. Shares subject to selling restrictions					
1. State-owned shares	2,742,578,825	54.44%	0	2,742,578,825	54.44%
2. State-owned legal person shares	589,059,077	11.69%	0	589,059,077	11.69%
3. Other domestic shares	63,223,518	1.26%	-2,851,900	60,371,618	1.20%
Including: Domestic legal person shares	63,223,518	1.26%	-2,851,900	60,371,618	1.20%
Domestic natural person shares	—	—	—	—	—
4. Foreign shares	—	—	—	—	—
Including: Foreign legal person shares	—	—	—	—	—
Foreign natural person shares	—	—	—	—	—
Total shares subject to selling restrictions	3,394,861,420	67.39%	-2,851,900	3,392,009,520	67.33%
II. Circulating shares not subject to selling restrictions					
1. RMB-denominated ordinary shares	420,886,080	8.35%	+2,851,900	423,737,980	8.41%
2. Domestic listed foreign shares	—	—	0	—	—
3. Foreign listed foreign shares	1,222,000,000	24.26%	—	1,222,000,000	24.26%
4. Other	—	—	0	—	—
Total circulating shares not subject to selling restrictions	1,642,886,080	32.61%	+2,851,900	1,645,737,980	32.67%
III. Shares in total	5,037,747,500	100%	0	5,037,747,500	100%

1. Approval status of changes in shares

On 16 May 2007, the selling restriction period of the Company's circulating shares with selling restrictions totalling 286,399,104 shares expired. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the consideration of such shares pre-paid by the major shareholder of the Company has been repaid. The repayment of consideration can take place in the form of the shares pre-paid for or an equivalent cash amount for such shares calculated at the average of the closing prices for the five trading days after the date of implementation of the Share Segregation Reform of Jiangsu Expressway. As of the end of the reporting period, the Company completed the listing and circulation procedures for 225,737,980 shares which have satisfied the conditions for circulation including the first batch totalling 103,260,554 shares, the second batch totalling 36,073,799 shares, the third batch totalling 11,819,527 shares, the fourth batch totalling 57,644,500 shares, the fifth batch totalling 14,087,700 shares and the sixth batch totalling 2,851,900 shares. Upon the Company's submission of the relevant circulation applications to the State-owned Assets Supervision and Administration Commission of the Jiangsu Provincial Government, the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository & Clearing Corporation Limited and obtaining the relevant approvals, those batches were listed and circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008 and 8 June 2009, respectively.

2. Changes in shares with selling restriction

Unit: Shares

Name of shareholder	Number of shares with selling restriction at the beginning of the year	Number of shares with released selling restriction of the year	Increased number of shares with selling restriction of the year	Balance of shares with selling restriction at the end of the year	Reason of selling restriction	Date of releasing selling restriction
Jiangsu Communications Holdings Company Limited	2,742,578,825	0	0	2,742,578,825	Selling restriction not expired	2011-5-16
Huajian Transportation Economic Development Centre	589,059,077	0	0	589,059,077	Selling restriction not expired	2011-5-16
Domestic legal person shareholder	63,223,518	2,851,900	0	60,371,618	The procedures of listing and circulation	2007-5-16
Total	3,394,861,420	2,851,900	0	3,392,009,520	—	—

Changes in Share Capital and Shareholders

3. Reminder of circulation of shares with selling restriction

As at the end of the reporting period, the Company has not completed the listing and circulation procedures for 60,371,618 shares which have satisfied the conditions for circulation. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the completion of share re-registration and the considerations of such shares pre-paid by the major shareholder of the Company have been repaid. The Company will make listing application for shareholders who have fulfilled the above-mentioned procedures every six months in accordance with the requirement of the Shanghai Stock Exchange.

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

(2) Share Issues and Listings

1. The Company issued 1,222 million H shares at HK\$3.11 per share which were listed on the Hong Kong Stock Exchange on 27 June 1997.
2. The Company issued 150 million domestic public shares (A shares) to domestic investors at the issue price of RMB4.20 per share. The issue of shares was launched from 22 December to 23 December 2000 by means of online pricing issue and placing to investors from the secondary market. The shares were listed on the Shanghai Stock Exchange on 16 January 2001.
3. The Company's Sponsored Level I ADR was effective on 23 December 2002 and the shares have been traded in the over-the-counter market in the United States.
4. The Company implemented the Share Segregation Reform on 16 May 2006. The non-circulating shareholders transferred consolidation of 48,000,000 shares to the circulating A shareholders at no price. As such, the number of circulating A shares was increased from 150,000,000 shares to 198,000,000 shares. The total number of the share capital has not been changed under the Share Segregation Reform.
5. Commencing on 16 May 2007, the restriction period of Company's circulating shares with selling restrictions totalling 286,399,104 shares has expired and the shares were listed. The first batch totalling 103,260,554 shares, the second batch totalling 36,073,799 shares, the third batch totalling 11,819,527 shares, the fourth batch totalling 57,644,500 shares, the fifth batch totalling 14,087,700 shares and the sixth batch totalling 2,851,900 shares were circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008 and 8 June 2009, respectively. As at the end of the reporting period, the number of circulating A shares was increased to 423,737,980 shares, representing 8.41% of the Company's total share capital. The total number of share capital has not been changed as a result of the circulation of shares.
6. The Company successfully issued RMB1.1 billion corporate bonds via on-line and off-line from 28 July 2008 to 30 July 2008. The corporate bonds bore a coupon rate of 5.40% p.a. with a term of three years. The corporate bonds were listed on the Shanghai Stock Exchange on 12 August 2008 with stock abbreviation "08 Ninghu bonds" and bond code "122010".

Category of Shares and their Derivative Securities	Issue Date	Issue Price	Quantity of Issue	Listing Date	Trading Quantity with Listing Approval	Expiration Date of Trading
Corporate Bonds	28 July 2008	100 / per copy	11,000,000 copies	12 August 2008	11,000,000 copies	28 July 2011

(3) Major Shareholders

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

As of 31 December 2009, there was a total of 57,712 shareholders whose names appeared on the register of shareholders of the Company, of whom 57,195 were domestic shareholders and 517 were foreign shareholders.

2. Shareholdings of Major Shareholders of the Company

(i) As of 31 December 2009, shareholdings of the top ten shareholders of the Company were as follows:

Name of shareholder	Change during the reporting period (+, -)	Number of shares held at the end of the reporting period (shares)	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder
Jiangsu Communications Holdings Company Ltd.	0	2,742,578,825	54.44	2,742,578,825	0	State-owned legal person
Hujian Transportation Economic Development Centre	0	589,059,077	11.69	589,059,077	0	State-owned legal person
Mondrian Investment Partners Limited	98,534,000	98,534,000	1.96	0	Unknown	Foreign legal person
Capital Research and Management Company	-26,069,000	85,269,000	1.69	0	Unknown	Foreign legal person
Wellington Management Company, LLP	74,453,207	74,453,207	1.48	0	Unknown	Foreign legal person
Columbia Wanger Asset Management, L.P.	0	63,878,000	1.27	0	Unknown	Foreign legal person
Blackrock, Inc.	61,333,472	61,333,472	1.22	0	Unknown	Foreign legal person
China AMC Large-cap Select Fund	14,783,976	14,783,976	0.29	0	Unknown	Others
Shenyin & Wanguo Securities Co., Ltd	0	13,950,000	0.28	0	Unknown	State-owned legal person
Lion Value Growth Stock Fund	12,000,000	12,000,000	0.24	0	Unknown	Others

Notes: About shareholdings of the top ten shareholders:

- The Company is not aware of the top ten shareholders being connected to each other or acting in concert;
- During the reporting period, there were no connected persons, strategic investors or general legal persons becoming one of the top ten shareholders of the Company as a result of the placement of new shares;
- The numbers of shares held by H-share holders were based on register required to be maintained under the Securities and Futures Ordinance of Hong Kong.

Changes in Share Capital and Shareholders

(ii) As at 31 December 2009, the shareholdings of the top ten shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares held at the end of the reporting period (shares)	Category of shares held
Mondrian Investment Partners Limited	98,534,000	Overseas listed foreign shares
Capital Research and Management Company	85,269,000	Overseas listed foreign shares
Wellington Management Company, LLP	74,453,207	Overseas listed foreign shares
Columbia Wanger Asset Management, L.P.	63,878,000	Overseas listed foreign shares
Blackrock, Inc.	61,333,472	Overseas listed foreign shares
China AMC Large-cap Select Fund (華夏大盤精選證券投資基金)	14,783,976	RMB-denominated ordinary shares
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	13,950,000	RMB-denominated ordinary shares
Lion Value Growth Stock Fund (諾安價值增長股票證券投資基金)	12,000,000	RMB-denominated ordinary shares
Kunshan Municipal Land Development Centre (昆山市土地開發中心)	7,500,000	RMB-denominated ordinary shares
Jiangsu Electric Power Company (江蘇省電力公司)	6,534,627	RMB-denominated ordinary shares

(iii) As at 31 December 2009, the shareholdings of the top ten A shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares held at the end of the reporting period (shares)	Category of the shares held
China AMC Large-cap Select Fund (華夏大盤精選證券投資基金)	14,783,976	RMB-denominated ordinary shares
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	13,950,000	RMB-denominated ordinary shares
Lion Value Growth Stock Fund (諾安價值增長股票證券投資基金)	12,000,000	RMB-denominated ordinary shares
Kunshan Municipal Land Development Centre (昆山市土地開發中心)	7,500,000	RMB-denominated ordinary shares
Jiangsu Electric Power Company (江蘇省電力公司)	6,534,627	RMB-denominated ordinary shares
CITIC Dividend Select Fund (中信紅利精選股票型證券投資基金)	6,356,996	RMB-denominated ordinary shares
ABC-CA Strategic Value Equity Fund (農銀匯理策略價值股票型證券投資基金)	5,999,851	RMB-denominated ordinary shares
China AMC Return Fund (華夏回報證券投資基金)	5,621,062	RMB-denominated ordinary shares
Fortune SGAM Selected Sectors Fund (華寶興業行業精選股票型證券投資基金)	4,706,696	RMB-denominated ordinary shares
CIFM China Consumption Fund (上投摩根內需動力股票型證券投資基金)	4,204,478	RMB-denominated ordinary shares

(iv) As at 31 December 2009, the shareholdings of the shareholders subject to selling restrictions and their selling restrictions were as follows:

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading of shares subject to selling restrictions		Selling restrictions
			Listing and trading date	Number of additional listed and tradeable shares	
1	Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	2,742,578,825	16 May 2011	0	Note 1
2	Huajian Transportation Economic Development Centre (華建交通經濟開發中心)	589,059,077	16 May 2011	0	Note 1
3	Domestic legal person shareholders	60,371,618	16 May 2007	60,371,618	Note 2

Note 1: Undertaking not to reduce the holding of the Company's shares before 16 May 2011.

Note 2: Prior consent shall be obtained from the Non-circulating Shareholders who have advanced the consideration on behalf of the relevant shareholders and that the consideration so advanced shall be repaid by the relevant non-circulating shareholder. For repayment, the relevant (advancee) shareholders may opt to transfer the amount of shares being advanced or to pay in cash in an amount calculated in accordance with the average closing price of the five trading days following the implementation date of the Company's Share Segregation Reform for the consideration shares. Application for the listing status of such shares shall then be submitted by the Company to the stock exchange.

Changes in Share Capital and Shareholders

- (v) As at 31 December 2009, as far as the Company is aware, the following individuals held 5% or more of the interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance of Hong Kong:

Name	Capacity	Direct interests	Number of H shares	Percentage of H shares (total shares) (%)
Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	Others	Yes	2,742,578,825(L)	(54.44%)
China Merchants Group Limited/ Huajian Transportation Economic Development Centre (招商局集團有限公司/ 華建交通經濟開發中心) (1)	Others	Yes	589,059,077(L)	(11.69%)
Mondrian Investment Partners Limited	Investment manager	Yes	98,534,000(L)	8.06% (1.96%)
Capital Research and Management Company(2)	Investment manager	Yes	85,269,000(L)	6.98% (1.69%)
Wellington Management Company, LLP	Investment manager	Yes	74,453,207(L)	6.09% (1.48%)
Columbia Wanger Asset Management, L.P.	Investment manager	Yes	63,878,000(L)	5.23% (1.27%)
Blackrock, Inc.(4)	Interests in controlled corporation	No	61,333,472(L)	5.02% (1.22%)

Notes: (L) Long position; (S) Short position

- (1) China Merchants Group Limited was deemed to hold interests by virtue of its controlling interests in Huajian Transportation Economic Development Centre's interest in the shares.
- (2) The Capital Group Companies Inc. was deemed to hold interests by virtue of its controlling interests in Capital Research and Management Company.
- (3) Bank of America Corporation (listed on the New York Stock Exchange) was deemed to hold interests by virtue of its being the parent company of Columbia Wanger Asset Management L.P.
- (4) Blackrock, Inc. was deemed to hold interests by virtue of its indirect controlling interests in BlackRock Investment Management, LLC., BlackRock Institutional Trust Company N.A., BlackRock Fund Advisors, BlackRock Advisors, LLC., BlackRock Investment Management (Australia) Limited, BlackRock Asset Management Australia Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Japan Co. Ltd., BlackRock Advisors (UK) Limited, BlackRock Investment Management (UK) Limited, BlackRock International Limited and BlackRock Luxembourg S.A..

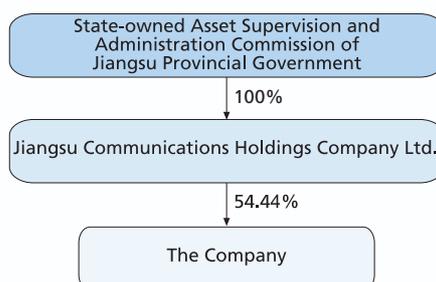
Save as disclosed above, to the Company's best knowledge, as at 31 December 2009, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

3. Controlling shareholder of the Company

Name	Legal representative	Registered capital	Date of establishment	Principal business
Jiangsu Communications Holdings Company Ltd.	Shen Chang Quan	16.8 billion	15 September 2000	The company is engaged in the operation and management of State-owned assets; investment, construction, operation and management of transportation infrastructure, transportation and other related sectors, collection of tolls from vehicles according to the relevant rules; and industrial investment and domestic trading within the scopes of authorization of the provincial government.

4. The De Facto Controller of the Company

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



5. Legal person shareholders holding more than 10% of the Company's legal person shares

Name of the legal person shareholder	Legal representative	Registered capital	Date of establishment	Principal business
Huajian Transportation Economic Development Centre	Fu Yu Ning	500 million	18 December 1993	Its principal businesses are investment and management of roads, docks, ports and passages; research and development of new technologies, new products and new materials related to transport infrastructure; the sale of products, and so forth.

Changes in Share Capital and Shareholders

(4) Purchase, Sale and Redemption of Shares of the Company

During the reporting period, there was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries.

(5) Pre-emption Rights

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

(6) Public Float

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

Directors, Supervisors, Senior Management and Staff

(1) General Information

Names	Gender	Age	Position with the Company	Term of office
Shen Chang Quan	M	62	Chairman	From June 2009 to 2012
Qian Yong Xiang	M	46	Executive Director, General Manager	From June 2009 to 2012
Zhang Yang	F	46	Non-executive Director	From June 2009 to 2012
Chen Xiang Hui	M	47	Non-executive Director	From June 2009 to 2012
Du Wen Yi	M	47	Non-executive Director	From June 2009 to 2012
Cheng Chang Yung Tsung, Alice	F	78	Non-executive Director	From October 2009 to 2012
Fang Hung, Kenneth	M	72	Non-executive Director	From October 2009 to 2012
Fan Cong Lai	M	48	Independent Non-executive Director	From June 2009 to 2012
Chen Dong Hua	M	35	Independent Non-executive Director	From June 2009 to 2012
Xu Chang Xin	M	47	Independent Non-executive Director	From October 2009 to 2012
Gao Bo	M	48	Independent Non-executive Director	From October 2009 to 2012
Yang Gen Lin	M	57	Chairman of the Supervisory Committee	From June 2009 to 2012
Sun Hong Ning	M	49	Supervisor	From October 2009 to 2012
Hu Yu	F	35	Supervisor	From June 2009 to 2012
Yan Shi Min	M	56	Supervisor	From June 2009 to 2012
Shao Li	F	32	Supervisor	From June 2009 to 2012
Liu Wei	F	54	Deputy General Manager, Financial Controller	From January 2010 to December 2012
Zhao Jia Jun	M	43	Deputy General Manager	From January 2010 to December 2012
Shang Hong	F	47	Assistant to General Manager	From January 2010 to December 2012
Tian Yafei	M	44	Assistant to General Manager	From February 2010 to February 2013
Yao Yong Jia	M	46	Secretary to the Board of Directors	From January 2010 to December 2012
Lee Wai Fun, Betty	F	49	Company Secretary (Hong Kong)	From June 2009 to May 2010

Notes:

1. During the reporting period, the directors, supervisors and senior management (including their spouse or children and the company, trust holding 30% or more of shares) did not hold any shares, shares futures options and restricted shares of the Company.
2. The directors and senior management are not connected to each other.

Directors, Supervisors, Senior Management and Staff

(2) Changes in Directors, Supervisors and Senior Management

The election of the new sessions of the Board and Supervisory Committee was held at the 2008 annual general meeting on 17 June 2009. At the meeting, Mr. Shen Chang Quan, Mr. Qian Yong Xiang, Mr. Sun Hong Ning, Mr. Chen Xiang Hui, Ms. Zhang Yang, Mr. Du Wen Yi, Mr. Cui Xiao Long, Mr. Fan Cong Lai and Mr. Chen Dong Hua were elected as members of the sixth session of the Board, of whom Mr. Fan Cong Lai and Mr. Chen Dong Hua were independent non-executive directors. Mr. Yang Gen Lin, Mr. Zhang Cheng Yu and Ms. Hu Yu were elected as members of the sixth session of the Supervisory Committee, and Mr. Yan Shi Min and Ms. Shao Li were elected as Supervisors representing staff.

Mr. Shen Chang Quan was appointed as Chairman of the Company at the first meeting of the sixth session of the Board and Mr. Shen Chang Quan, Mr. Qian Yong Xiang, Mr. Chen Xiang Hui, Mr. Cui Xiao Long and Mr. Fan Cong Lai were proposed and elected as members of the new session of the Strategy Committee, with Mr. Shen Chang Quan being the convener. Chen Dong Hua, Fan Cong Lai and Du Wen Yi were proposed and elected as members of the new session of Audit Committee with Chen Dong Hua being the convener.

Mr. Yang Gen Lin was appointed as the Chairman of the Supervisory Committee at the first meeting of the sixth session of the Supervisory Committee of the Company.

In September 2009, Directors Mr. Sun Hong Ning and Mr. Cui Xiao Long, and Supervisor Mr. Zhang Cheng Yu resigned from the offices of Directors and Supervisor due to work reasons. The 4th meeting of the sixth session of the Board of the Company proposed the appointments of Ms. Cheng Chang Yung Tsung, Alice and Mr. Fang Hung, Kenneth as non-executive directors of the Company, and Mr. Xu Chang Xin and Mr. Gao Bo as independent non-executive directors of the Company. The third meeting of the sixth session of the Supervisory Committee of the Company proposed the appointment of Mr. Sun Hong Ning as Supervisor. The resolutions on the appointments of directors and supervisors were considered and passed at the second extraordinary shareholders' general meeting held on 20 October 2009.

(3) Information on Directors and Supervisors Employed in Shareholders' Companies

Name	Employer	Title	Term of Office	Emoluments Received (Yes or No)
Shen Chang Quan	Jiangsu Communications Holdings Company Ltd.	Chairman	From January 2001 up to now	Yes
Yang Gen Lin	Jiangsu Communications Holdings Company Ltd.	General Manager	From August 2008 up to now	Yes
Sun Hong Ning	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From May 2003 up to now	Yes
Chen Xiang Hui	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From May 2003 up to now	Yes
Du Wen Yi	Jiangsu Communications Holdings Company Ltd.	Director of Finance and Auditing	From November 2007 up to now	Yes
Zhang Yang	Huajian Transportation Economic Development Center	Deputy General Manager	From April 2007 up to now	Yes
Hu Yu	Huajian Transportation Economic Development Center	Deputy Manager of Finance Department	From April 2009 up to now	Yes

(4) Information of Directors and Shareholders Employed in Other Listed Companies

Name	Employer	Title	Emoluments Received (Yes or No)
Zhang Yang	Shenzhen Expressway Co., Ltd. Zhejiang Expressway Co., Ltd. Sichuan Expressway Co., Ltd. Xiamen Port Development Co., Ltd.	Director Director Vice Chairman Vice Chairman	No No Yes Yes
Sun Hong Ning	Jinling Hotel Corporation Huatai Securities Co., Ltd.	Director Director	No No
Cheng Chang Yung Tsung, Alice	Daqing Oilfield Co. Ltd., Yung Shing Enterprise Co. Nanjing Ericsson Panda Communications Company Ltd.	Managing Director President Director	Yes Yes Yes
Fang Hung, Kenneth	Fang Brothers Knitting Limited Yeebo International Holdings Limited USI Holdings Limited	Chairman Chairman Independent Director	Yes Yes Yes
Fan Cong Lai	Nanjing Xingang High-tech Co., Ltd. Wuxi Taiji Industry Co., Ltd. Nanjing Port Co., Ltd.	Independent Director Independent Director Independent Director	Yes Yes Yes
Chen Dong Hua	Nanjing Port Co., Ltd. Jiangsu Yue Da Investment Company Limited Suzhou Industrial Park New Sea Union Telecon Development Co., Ltd.	Independent Director Independent Director Independent Director	Yes Yes Yes
Hu Yu	Huabei Expressway Co., Ltd. Guangxi Wuzhou Communications Co., Ltd.	Supervisor Supervisor	Yes Yes

(5) Emoluments for the Year

The emoluments for Directors, supervisors and other senior management are proposed to the Board by the Nomination, Remuneration and Appraisal Committee under the Board in accordance with the relevant requirements, market levels and the Company's actual circumstances, considered and approved at the general meeting of the Company and finalized with their salary agreements entered into with the Company. The Company's two non-executive directors and three independent directors received directors' emoluments for year 2009. The rest of the directors and supervisors (including those employed in the Company) did not receive emoluments for directors or supervisors. The Directors and supervisors holding positions with the Company received management remunerations based on their specific management positions.

1. The annual emoluments paid to each of the two overseas non-executive Directors and the domestic independent Directors by the Company were equivalent to HK\$300,000 (at the end of the reporting period, the exchange rate between HK\$ and RMB at HK\$1.00 to RMB0.88 was used and the balance was equivalent to approximately RMB264,000) and RMB50,000, respectively during 2009. Apart from the above-mentioned allowances, the independent Directors did not receive any other remuneration from the Company. Other Directors and supervisors did not receive emoluments and allowances from the Company.
2. The remuneration of the Company's senior management (including deputy general managers, financial controller and secretary to the Board) comprised salaries of the position held, performance bonus and contribution to their pension schemes.

Directors, Supervisors, Senior Management and Staff

Details of remunerations of the directors, supervisors and senior management during 2009

Personnel	Remuneration of directors or supervisors	Management remuneration	Total	Received remuneration in shareholders' entities or other connected entities
Directors				
Shen Chang Quan	—	—	—	Yes
Qian Yong Xiang	—	393,750	393,750	No
Zhang Yang	—	—	—	Yes
Chen Xiang Hui	—	—	—	Yes
Du Wen Yi	—	—	—	Yes
Cheng Chang Yung Tsung, Alice	264,000	—	264,000	No
Fang Hung, Kenneth	264,000	—	264,000	No
Independent Directors				
Fan Cong Lai	50,000	—	50,000	No
Chen Dong Hua ⁽¹⁾	25,000	—	25,000	No
Xu Cheng Xin ⁽³⁾	—	—	—	No
Gao Bo ⁽³⁾	—	—	—	No
Yang Xiong Sheng ⁽²⁾	25,000	—	25,000	No
Supervisors				
Yang Gen Lin	—	—	—	Yes
Sun Hong Ning	—	—	—	Yes
Hu Yu	—	—	—	Yes
Yan Shi Min	—	240,000	240,000	No
Shao Li	—	216,000	216,000	No
Senior Management				
Liu Wei	—	298,500	298,500	No
Zhao Jia Jun	—	280,000	280,000	No
Shang Hong	—	280,000	280,000	No
Yao Yong Jia	—	280,000	280,000	No
Lee Wai Fun, Betty	—	—	—	No
Total	628,000	1,988,250	2,616,250	—

Notes:

1. Independent director Mr. Chen Dong Hua commenced his office in June 2009 and received remuneration for half a year.
2. Independent director Mr. Yang Xiong Sheng submitted his resignation at the election of the new session of the 2009 Supervisory Committee due to expiry of his term of office, and his remuneration was the remuneration received during his term of office for the first half of 2009.
3. Independent directors Mr. Xu Chang Xin and Mr. Gao Bo were appointed on 20 October 2009. During the reporting period, they have not received any director's remuneration.

(6) Other Information of Directors, Supervisors and Senior Management

Directors' and Supervisors' contracts

Apart from the employment contract between the Company and executive director, each of the Directors and supervisors has entered into a service contract with the Company. The content of these contracts was primarily the same in all material respects. The term of these contracts commenced from the date of the 2008 Annual General Meeting (or the appointment date) until the date of the annual general meeting to be held in 2011. The Company, the Directors or the supervisors can terminate the contracts by giving not less than three months prior notice in writing to the other party. Save as the above-mentioned, none of the Directors or supervisors have entered into or have proposed to enter into any service contracts with the Company expiring or determinable by the employer within one year with payment of compensation (other than statutory compensation). The Company was not required to pay compensation to any director for the reason that the Directors intended to be re-elected in the next annual general meeting but their service contracts have not expired.

Interests of Directors and Supervisors in Contracts

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

Representation and Undertaking of Directors, Supervisors and Senior Management

During the reporting period, the Directors, supervisors and senior management of the Company have signed the letter of representation and undertaking in accordance with the requirements of listing rules of the Shanghai Stock Exchange.

Loan or Loan Guarantee Granted to Directors, Supervisors and Senior Management

During the reporting period, the Company did not directly or indirectly grant any loan or loan guarantee to the directors, supervisors, senior management or their connected parties.

Model Code for Securities Transactions by Directors

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

Dealings in Securities by Directors, Supervisors and Senior Management

During the reporting period, there was no record showing that any Directors, supervisors or senior management or any of their associates held any interests in the registered capital of the Company and its subsidiaries or associates being disclosable under the SFO or the Model Code.

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

Directors, Supervisors, Senior Management and Staff

Training of Directors, Supervisors and Senior Management

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

In 2009, Directors Chen Xiang Hui and Du Wen Yi, as well as Supervisors Yang Gen Lin, Sun Hong Ning, Hu Yu, Yan Shi Min and Shao Li, participated in training on special topics held by the Securities Regulatory Bureau.

(7) Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Shen Chang Quan, Chairman, Chairman of the Strategy Committee, born in 1948, aged 62, Economist. Mr. Shen had been the head and the party secretary of Wu County in 1981, and a deputy mayor of Suzhou City since 1992. He was in charge of urban and communications developments of Suzhou City for a long time and was responsible for the development of the Suzhou National New & Hi-Tech Industrial Development Zone from 1992 to 1997. He has extensive experience in engineering and management. He has been the chairman of the board of Jiangsu Communications Holdings Company Limited ("Communications Holdings") since January 2001.

Mr. Qian Yong Xiang, Executive Director, General Manager, Chairman of the Strategy Committee, born in 1964, aged 46, with a Master of Engineering degree and an MBA. He taught at Southeast University from 1987 to 1992. He joined the Company in 1992 and has been head of the Planning Section, deputy manager and manager of the Investment and Securities Department. Mr. Qian has long been involved in strategies studies of the transport industry, the Company's investment analysis and management, project construction and operational management. He has extensive experience in corporate management and operation of listed companies.

Ms. Zhang Yang, Non-executive Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1964, aged 46, and with a post-graduate diploma. She commenced work in 1987. From 1988 to 1994, Ms. Zhang was a principal staff member of the political division of the Ministry of Aerospace. From 1994 to 2007, she was the manager of the securities management division and Assistant to General Manager of Huajian Transportation Economic Development Center, and she is now the deputy general manager of Huajian Transportation Economic Development Center. She is also a director of Shenzhen Expressway Company Limited, Zhejiang Expressway Company Limited and Xiamen Port Development Co., Ltd. as well as the Vice Chairman of Sichuan Expressway Company Limited. Ms. Zhang has extensive knowledge in the transportation and securities industries as well as rich in management experience.

Mr. Chen Xiang Hui, Non-executive Director, Member of the Strategy Committee, born in 1963, aged 47, with a Bachelor degree of Engineering and an MBA, post-graduate grade Senior Engineer. Mr. Chen has been involved in communication construction management and expressway operation management for a long time. Mr. Chen was a deputy director of the Project Quality Supervisory Section of Jiangsu Communications Department, a director of Jiangsu Ninglian Ningtong Road Management Office and a general manager of the Company. Mr. Chen is currently a director and a deputy general manager of Communications Holdings. He is the vice chairman of the Jiangsu Youth Chamber of Commerce, the deputy secretary general of the Chapter of Expressway Operations Management Association of China Highway and Transportation Society and a standing committee member of the Expressway Operations Committee of Jiangsu Highway and Transportation Society.

Mr. Du Wen Yi, Non-executive Director, Member of the Audit Committee, born in 1963, aged 47, with an undergraduate diploma, Senior Economist. Mr. Du started working in the finance and accounting research office of Nanjing Communications School in 1983, and had been successively appointed as the deputy director and a director of the Planning and Finance Office of Jiangsu Communications Planning and Design Institute since 1987. He had been a deputy head of the Finance and Auditing Section of Jiangsu Communications Holdings Company Ltd. since 2000, and had been a director and successively a deputy head and head of the Finance and Auditing Section of Jiangsu Communications Industry Group Co., Ltd. from 2001 to 2004. He had been a deputy general manager of Jiangsu Expressway Company Limited since 2004, and became the head of the Finance Department of Communications Holdings in November 2007. Mr. Du has been engaged in transportation management and financial management for a long time and is a senior expert with extensive transportation management and financial management experience.

Ms. Cheng Chang Yung Tsung, Alice, Non-executive Director, Member of the Strategy Committee, born in 1932, aged 48. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region, a standing committee member of the National Committee of the Chinese People's Political Consultative Conference, an advisor to the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch) and the chairperson of the Business Enterprise Management Centre of the Hong Kong Management Association. She is also the managing director of Daqing Oilfield Co. Ltd., the president of Yung Shing Enterprise Co., the China senior advisor to Telefonaktiebolaget LM Ericsson, the director of Nanjing Ericsson Panda Communications Co., Ltd., the director of Beijing SE Putian Mobile Communications Co., Ltd., the chairman of Shanghai Overseas Chinese Commercial Centre Co., Ltd., and the chairman of Jiangsu Hong Kong Aero Enterprise Ltd. Ms. Chang has decades of experience in business development and investment. Ms. Chang has been awarded the Insignia of the Commander of the Royal Order of the Polar Star bestowed by His Swedish Majesty King Carl Gustav XVI of the Kingdom of Sweden and the Gold Bauhinia Star of the Hong Kong Special Administrative Region.

Mr. Fang Hung, Kenneth, Non-executive Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1938, aged 72 and a native of Shanghai, graduated from the Massachusetts Institute of Technology in the USA with a master degree in 1960s. He is chairman of Fang Brothers Knitting Ltd., chairman of Times Limited which is listed on the Main Board of the Hong Kong Stock Exchange, and chairman of Yeebo (International Holdings) Limited, independent non-executive director of USI Holdings Limited which is listed on the Main Board of the Hong Kong Stock Exchange. He is a member of the National Committee of the Chinese People's Political Consultative Conference. He also undertakes many other key positions in major industrial or commercial associations, including honorary chairman of the Hong Kong Textile Council and the Hong Kong Wollen & Synthetic Knitting Manufacturers Association, as well as chairman of the board of directors of the Hong Kong Research Institute of Textiles and Apparel Limited.

Mr. Fan Cong Lai, Independent Non-executive Director, Member of the Strategy Committee, Member of the Audit Committee, born in 1962, aged 48, is a tutor for doctoral candidates and a renowned economist nationwide. Mr. Fan was a teaching assistant of the Economics Faculty of the School of Business at Nanjing University in 1983 and a lecturer in 1988. He has been a professor and the department head of the Economics Faculty of the School of Business at Nanjing University since 1996. Mr. Fan is currently the secretary of the Communist Party Committee of the Business School at Nanjing University, the vice chairman of Jiangsu Finance Association and the vice chairman of the Jiangsu Investment Association. Mr. Fan has long been engaged in teaching and research of monetary finance, corporate finance and capital markets. He is knowledgeable in economic theories. He has received numerous national awards honouring his outstanding contribution as an expert.

Mr. Chen Donghua, Independent Non-executive Director, Chairman of the Audit Committee, Member of the Nomination, Remuneration and Appraisal Committee, born in 1975, aged 35, is a professor and an advisor for doctoral candidates. He is currently the Secretary of and an advisor for doctoral candidates at the Accounting Department of Nanjing University. From 2003 to 2005, Mr. Chen was Assistant Professor and Associate Professor at the Faculty of Accounting of Shanghai University of Finance and Economics. He has been a professor and an advisor for doctoral candidates at the Accounting Department of the School of Business of Nanjing University since 2005. Mr. Chen has long been engaged in research in the accounting discipline and has been practicing accounting work. He is a senior expert in financial theories and has extensive management experience.

Directors, Supervisors, Senior Management and Staff

Mr. Xu Chang Xin, Independent Non-executive Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1963, aged 47, Ph.D. in engineering, a professor in economics and an advisor for doctoral candidates. He is currently Deputy Dean of the School of Business, Director of the Research Centre for Investment and Financing of Infrastructure and an advisor for doctoral candidates in Management Science and Engineering at Hohai University. He is also a standing committee member of the 9th and 10th Chinese People's Political Consultative Conference of Jiangsu Province; a member and Deputy Director of China National Democratic Construction Association, Jiangsu Province and a member of the Central Economic Committee of China National Democratic Construction Association. Meanwhile, he also serves as a member of the China Oceanic and Economic Society, Vice-President of the Quantitative Economics and Management Science Society, Jiangsu Province; Vice-President of the Statistics Society, Jiangsu Province; a standing member of the Finance Society, Jiangsu Province; a part-time advisor for doctoral candidates at Macau University of Science and Technology; and an expert panelist for a number of projects. He has led over 50 provincial-level scientific research projects and issued over 100 papers, together with six published works. He has been an eighth-time winner of the ministry-level Awards (Third Class or above) for Advancement in Science and Technology. He was conferred the title of Young Outstanding Teacher of Jiangsu Province.

Mr. Gao Bo, independent Non-executive Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1962, aged 48, a Ph.D, a professor in economics and an advisor for doctoral candidates. He is currently Director of the Real Estate Research Centre at Nanjing University; a research fellow at the Research Center for the Social and Economic Development of the Yangtse River Delta of Nanjing University, a key national research base in humanities and social sciences approved by the Ministry of Education; a standing member of the Global Chinese Real Estate Association; a Vice-President of Jiangsu Real Estate and Economics Association; and Deputy Secretary-General of Jiangsu Economics Association. He has a number of published works and has issued over 110 pieces of papers in professional academic periodicals. He has led a number of research projects including the National Natural Science Foundation, the National Social Sciences Foundation (key projects), the Humanities and Social Sciences Research Planning Foundation of the Ministry of Education, the "Tenth Five-Year" Plan for Philosophy and Social Sciences Research Foundation, and the software science programme entitled "Research on the Operation Mechanism of Venture Capital in Jiangsu" of Jiangsu Science and Technology Department. He was the winner of a number of prizes for scientific research including the ministry-level First-Class Award for Advancement in Science and Technology and the Third-Class Award for Excellent Achievement in Social Sciences of Jiangsu Province.

Supervisors

Mr. Yang Gen Lin, Chairman of the Supervisory Committee, born in 1953, aged 57, with university education. He served as the Director of Taicang Communications Bureau, Suzhou City, Jiangsu Province as well as the Secretary of its communist party committee; a member of the Standing Committee of Taicang Communist Party Committee; the Deputy Mayor of Taicang City cum Secretary of the Party Work Committee of Taicang Economic Development Zone. He was the Acting Mayor and the Secretary of the Communist Party Committee of Danyang City, Zhenjiang, Jiangsu Province; a member of the Standing Committee of Zhenjiang Municipal Communist Party Committee; and a Deputy Department Head and a Deputy Secretary of the party organization of the Jiangsu Department of Communications. In 2008, he became the Vice Chairman and the General Manager of Communications Holdings. Mr. Yang has been responsible for management work for many years and has extensive experience in economic and communications management.

Mr. Sun Hong Ning, Supervisor, born in 1961, aged 49, with an EMBA from China Europe International Business School in Shanghai. Mr. Sun had been a deputy division head at Jiangsu State Secrecy Bureau since 1994. He was secretary of general office at the Jiangsu Provincial Party Committee in 1995, secretary of general office of the Jiangsu Provincial Government in 2001; and a director and a deputy general manager of Communications Holdings in 2003. Mr. Sun is also the vice chairman of Suzhou Sujiahang Expressway Co., Ltd., a director of Huatai Securities Co. Ltd. and a director of Jinling Hotel Corporation. He has substantial experience in business and management.

Ms. Hu Yu, Supervisor, born in 1975, aged 35, university graduate. She was Accountant of Beijing City Development Group Company Limited, and Finance Manager of Beijing Office of Shanghai Mitsubishi Elevator Co., Ltd. She served as Accountant of the Planning and Finance Department of Huajian Transportation Economic Development Centre, Manager of the Finance Department of China Merchants Group Limited, Supervisor of Huabei Expressway Co., Ltd. and Supervisor of Guangxi Wuzhou Communications Co., Ltd. She is currently Deputy Manager of the Planning and Finance Department of Huajian Transportation Economic Development Centre. Ms. Hu has long been engaged in financial management and has extensive experience in financial management and transport management.

Mr. Yan Shi Min, Supervisor, born in 1954, aged 56, university graduate, Senior Political Worker. Mr. Yan worked for Jiangsu Canal Shipping Company (「江蘇省運河航運公司」) from 1976 to 1978, and was successively an officer, deputy head and head of the Publicity Division of Jiangsu Canal Company from 1981 to 1992. Since 1992, Mr. Yan had been successively a deputy director and a director at the Political Department of Jiangsu Port and Shipping Group Company. Since 1998, he had been successively a deputy head of G312 Management Office of the Company, a deputy director of Chinese Communist Party Committee Office and a deputy director of Disciplinary Inspection Office, deputy director of the General Office of the Company, the head of the Changzhou Management Office and currently the chairman of the Company's union. Mr. Yan has been engaged in the transportation sector for a long time, possessing substantial theoretical knowledge and practical management experience.

Ms. Shao Li, Supervisor, born in 1978, aged 32, with post-graduate diploma, Economist. Ms. Shao started working in the Nanjing Branch of China Ping An Life Insurance Company, Ltd. in 2003. Since 2004, Ms. Shao has been successively a section head and an assistant to manager of the Human Resources Department of the Company, and is currently a manager of the Human Resources Department of the Company. Ms. Shao has been engaged in the field of human resource management and possesses extensive experience in human resource management.

Senior Management

Ms. Liu Wei, Deputy General Manager, Financial Controller, born in 1956, aged 54, university graduate, Senior Accountant. Ms. Liu joined the Company in August 1992. She had been the deputy section chief of the Planning Division of the Communications Department of Jiangsu Province, the head of the Finance Department of the Jiangsu Roads & Bridges Construction Co. and the section chief of the Finance Division of the Jiangsu Expressways Command Office. Ms. Liu was also the deputy division chief and the manager of the Finance Department of the Company. She has been working in the economic and financial management for 20 years and has extensive experience in these areas.

Mr. Zhao Jia Jun, Deputy General Manager, born in 1967, aged 43, with a master degree in engineering, post-graduate grade Senior Engineer, joined the Company in August 1992. Mr. Zhao had been an engineer of the Planning Department of Jiangsu Expressway Construction Command Office and a deputy director of the engineering division of the Company's Engineering and Technology Department, a director of the General Department, a deputy manager and a manager of the Engineering and Technology Department. Mr. Zhao has been engaged in the construction, maintenance and repair, operation and management of transportation projects since he started working.

Ms. Shang Hong, Assistant to General Manager, Manager of the Investment and Development Department, born in 1963, aged 47, university graduate and Senior Engineer. Ms. Shang taught in the Civil Engineering Department of Nanjing Jinling Vocational University from July 1985 to May 1993. She joined the Company in June 1993 and has held various positions including deputy head and head of the Planning Division of the Managing Department of the Company; the deputy manager and manager of the Investment Development Department of the Company. She is currently the Assistant to General Manager and Manager of the Investment and Development Department of the Company. Ms. Shang has been engaged in engineering management, investment analysis and project management for a long time.

Directors, Supervisors, Senior Management and Staff

Mr. Tian Yafei, Assistant to General Manager, Manager of the Operation and Development Department, born in 1966, aged 44, university education. Mr Tian joined the Company in September 1996 and has held various positions including Manger of Yang Cheng Hu Service Area of Shanghai-Nanjing Expressway, Assistant Manager and Manager of Operation and Development Manger. He became Assistant to General Manager since February 2010. Mr Tian has been engaged in the construction projects of G312 and Shanghai-Nanjing Expressway since he started working and has long been engaged in the operation and management of expressways. He has extensive experience in operation management.

Mr. Yao Yong Jia, Secretary to the Board, born in 1964, aged 46, with a master degree, Senior Engineer. Mr. Yao joined the Company in August 1992. He has been a section chief of the Communications Design and Planning Institute of Jiangsu Province, the Jiangsu Expressways Command Office and the Securities Department, as well as the director of the secretariat to the Board of the Company. Mr. Yao has extensive experience and he has been engaging in project management, investment analysis, financing and securities.

Ms. Lee Wai Fun, Betty, Company Secretary of Hong Kong, born in 1961, aged 49. She obtained a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic (presently the Hong Kong Polytechnic University) in 1983. She is a chartered secretary in Hong Kong. She is a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

(8) Human Resources

Human Resources Management System

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

In 2009, the Company further optimized its human resources allocation. It has actively facilitated the improvement of the job posting and allocation system; implemented the management succession planning strategies; strengthened the selection and training of management talents backup and professional technical talents. It has also conducted the open recruitment for 25 management level positions, and has introduced competitive mechanisms for staff promotions to expand the room for staff's career development.

Staffing Situations

As at 31 December 2009, the Company had 3,699 staffs (controlling and participating companies), 154 less than that as at the end of 2008, mainly caused by the separation of the establishment of road administration from the Company during this year. The staff composition was as follows:

1. Professional Composition

Type of profession	Number	Percentage
Administrative and management staff	223	6.03%
Toll operation staff	2,081	56.26%
Maintenance and repair staff	217	5.86%
Service area staff	1,178	31.85%

2. Educational Background

Education level	Number	Percentage
University or above	283	7.65%
Post-secondary school	861	23.28%
Secondary/vocational schools or below	2,555	69.07%

Staff Salary and Performance Appraisal

The Company adopts a position-based salary system with performance being a motivating factor. Staff salary comprises three parts, namely monthly salary, performance bonus and fringe benefits. Salaries are determined in accordance with the comprehensive performance appraisal results of each staff, with reference to the principle of "salary by position, award by performance", thereby raising the fairness and competitiveness of the salary system. The total amount of annual staff salaries is implemented upon approval by the Board. In 2009, the Group has paid total staff salary amounting to RMB345,186,000 in aggregate, representing an increase of 10.32% year-on year.

The Company cares for its employees with affection and protects the statutory interests of the employees. In accordance with the relevant State regulations, the Company provides its current employees with a number of social insurance schemes such as basic old-age insurance, medical insurance, labour injury insurance, maternity insurance and unemployment insurance through the social insurance authority. Meanwhile, in order to provide better protection for its employees, the Company has also obtained supplementary medical insurance and labour injury insurance from commercial insurance companies for its employees. The Company also established the corporate annuity scheme, aiming at improving the living standards of its employees after retirement and built long-term caring relationships between the Company and its employees. The relevant premiums and corporate annuities have been paid up on time.

The Company enforced a stringent performance appraisal system. In this year, the Company enacted management methods and implementation rules for the Company's performance appraisal. Based on such methods and rules as appraisal standards, the Company conducted regular appraisals on the working performance of staff. It rewarded those who passed the appraisal according to the objectives for performance management while it imposed corresponding punishment and gave warning to those who failed to achieve the appraisal standards, thereby raising staff's sense of responsibility toward their respective duties and ensuring the realization of respective operation management objectives.

Directors, Supervisors, Senior Management and Staff

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

Staff Education and Training

Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuous learning and encourages employees to lift their own working capabilities and competitiveness, thereby realizing value-adding of human resources.

During the year, the Company pushed forward the work on occupational qualifications assessment through training, coaching and technical appraisal for toll collection and toll monitoring staff. 762 employees participated in entry-level technical assessment, 529 participated in middle-level technical appraisal and assessment, and 281 participated in senior-level technical appraisal and assessment. To raise the ability and quality of management staff and professional technical staff, the Company conducted various training on special topics and development training, and organized management staff to participate in external professional training, more than 320 employees participated in various training.

Shareholders' General Meetings

(1) Annual General Meeting

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2008 Annual General Meeting	17 June 2009	China Securities Journal Shanghai Securities News	18 June 2009

The annual general meeting has considered the following significant matters:

1. Matters approved as ordinary resolutions included:
 - the report of the directors, the report of the supervisory committee, the audited accounts and auditors' report for the year 2008;
 - 2008 profit distribution scheme;
 - Continuous appointment of overseas and domestic auditors;
 - Election of the new sixth sessions of the Board and the Supervisory Committee.
2. Matters approved as extraordinary resolutions included:
 - Amendment to particular clauses of the Articles of Association.

(2) Extraordinary General Meetings

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2009 First Extraordinary General Meeting	11 March 2009	China Securities Journal Shanghai Securities News	12 March 2009

The extraordinary general meeting has considered the following significant matter:

1. Matter approved as an ordinary resolution included:
 - Approved the appointment of Mr. Qian Yong Xiang as executive director of the Company.

Shareholders' General Meetings

2. Matter approved as an special resolutions included:

- Approved the addition of relevant clauses into the Articles of Association regarding long-term mechanisms for regulating capital flows amongst the listed company, the major shareholder and other connected parties.

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2009 Second Extraordinary General Meeting	20 October 2009	China Securities Journal Shanghai Securities News	21 October 2009

1. Matters approved as ordinary resolutions included:

- Approved the appointments of Ms. Cheng Chang Yung Tsung, Alice and Mr. Fang Hung, Kenneth as non-executive directors of the Company; Mr. Xu Chang Xin and Mr. Gao Bo as independent non-executive directors of the Company; Mr. Sun Hong Ning as supervisor of the Company.

2. Matter approved as an special resolution included:

- Approved the change of business scope in the Articles of Association.

Report of the Supervisory Committee

(1) Meetings Held by the Supervisory Committee during the Reporting Period

In accordance with the Company Law, the Listing Rules, the Articles of Association and the Rules of Proceedings for Supervisory Committee Meetings and by observance of the principle of good faith, all members of the Company's Supervisory Committee have faithfully discharged their duties in a positive and cautious manner during the year 2009 for the purpose of safeguarding the interests of the Company and its shareholders.

The Supervisory Committee held eight meetings in 2009. The convening, proceedings and resolutions of the meetings complied with legal procedures. Significant matters were considered and examined by the Supervisory Committees as follows:

Convening of the Supervisory Committee Meeting	Agenda of the Supervisory Committee Meeting
The Thirteenth Meeting of the Fifth Session of the Supervisory Committee	— The nomination of Mr. Yang Gen Lin as supervisor of the Company
The Fourteenth Meeting of the Fifth Session of the Supervisory Committee	— The appointment of Mr. Yang Gen Lin as chairman of the Supervisory Committee
The Fifteenth Meeting of the Fifth Session of the Supervisory Committee	— The 2008 annual report and its summary of the Company were considered — The 2008 work report of the Supervisory Committee was considered — The Internal control and Self-evaluation Report on Internal Control of the Company was considered
The Sixteenth Meeting of the Fifth Session of the Supervisory Committee	— Nomination of supervisor candidates for election of the new session of the Supervisory Committee
The First Meeting of the Sixth Session of the Supervisory Committee	— Appointment of Mr. Yang Gen Lin as chairman of the Sixth Session of the Supervisory Committee
The Second Meeting of the Sixth Session of the Supervisory Committee	— The 2009 interim report and its summary of the Company were considered
The Third Meeting of the Sixth Session of the Supervisory Committee	— The resignation of Mr. Zhang Cheng Yu was accepted and Mr. Sun Hong Ning was nominated as supervisor of the Company
The Fourth Meeting of the Sixth Session of the Supervisory Committee	— The 2009 third quarterly report of the Company was considered

During the reporting period, the Supervisory Committee attended the on-site shareholders' meetings and Board meetings. It examined the signing of written resolutions by the Board. It exercised effective supervision on the procedures and legality of the decision-making process of the Company, the implementation of the resolutions passed at the shareholders' general meetings by the Board, and the duties discharged by the Company's directors and management, and alerted the Board and the management of the Company of any potential risks. During the reporting period, no negotiations or litigations were made or initiated by any supervisor representative against any directors of the Company.

(2) Independent Opinions of the Supervisory Committee

1. Compliance with the Company's Operations

During the reporting period, the Supervisory Committee has monitored the procedures for convening shareholders' general meetings and Board meetings and the resolutions passed thereat. It has also supervised the implementation of resolutions passed at the shareholders' general meetings by the Board and the implementation of resolutions passed at the Board meetings by the management. It considers that the Company has operated its business and made its decisions in strict compliance with the relevant laws and systems and in a regulated manner. The Company has improved continuously its internal control system, and its governance standards have been further enhanced, with the Company having received wide recognition from the

Report of the Supervisory Committee

domestic and foreign regulatory authorities and market investors and as well as various awards on corporate governance. In compliance with the requirements as stipulated under relevant laws and regulations, the Company's directors and senior management have conscientiously discharged their duties, bearing in mind the best interests of shareholders and the Company. They have not violated the relevant laws and regulations, abused their authorities or caused damage to the interests of the Company, its shareholders and staff.

2. Financial Conditions of the Company

The Supervisory Committee has duly examined the financial statements, the profit distribution scheme and other accounting information etc. for the year 2009 and is of the view that the financial income and expenditure accounts are clear; and that the accounting, auditing and financial management have complied with the relevant requirements without any problems identified. The domestic and overseas auditors of the Company have audited the 2009 financial statements of the Company in accordance with the HKFRS and the PRC Accounting Standards, respectively, and have issued auditors' reports with standard unqualified audit opinions accordingly. The Supervisory Committee is of the view that the financial income and expenditure and the operating results of the Company are fairly and correctly reflected by the auditors' reports. The operating results achieved are truthful.

3. Application of Fund Raised

In 2008, the Company issued corporate bonds of RMB1.1 billion with a term of three years. The fund raised was used to adjust the Company's liability structure. As reviewed and inspected by the Securities Commission, the application of the fund raised was in consistent with the undertaking made in the fund raising prospectus without any deviation. Meanwhile, dividends for the year were paid on time, and the gains of the investors were ensured.

4. Connected Transactions of the Company

The Supervisory Committee has examined all connected transactions of the Company during the year. It is of the view that all contracts, agreements and other documents relating to connected transactions during the year are in compliance with the relevant legal requirements. The connected directors have abstained from voting and the review and consideration procedures were lawful. The terms of the transactions are fair and reasonable to the Company and all of its shareholders. The connected transactions have been entered into in strict compliance with the principles of "fairness, justice and openness". No insider dealing has been identified, nor has the Board been found to have breached the principle of fiduciary duty when making decision, signing agreements or carrying out information disclosure.

By Order of the Supervisory Committee

Yang Gen Lin

Chairman of the Supervisory Committee

Nanjing, the PRC
19 March 2010

Significant Matters

(1) Principal Business, Customers and Suppliers

The Group is principally engaged in the investment, construction, operation and management of toll highways and bridges in Jiangsu Province. During the reporting period, there was no significant change to the principal business of the Group.

The major customers of the Group's toll business are users of toll highways and bridges. There was no large-amount procurement in relation to day-to-day operation in general. As such, the Group is not required to further disclose information relating to major customers or suppliers.

(2) Material Litigation or Arbitration

The Company or its subsidiary was not involved in any material litigation or arbitration during the reporting period, nor was there any no prior material litigation or arbitration subsisting during the reporting period.

(3) Bankruptcy and Restructure

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

(4) Shares Held in Other Listed Companies

The equity interests which the Group held in other listed companies were mainly activities involved in the acquisition of shares initially offered in the stock market by Ninhu Investment using idle funds. During the reporting period, investment income from acquisition of shares initially offered amounted to RMB950,000.

(5) Assets Transaction

The Company did not conduct any assets transaction during the reporting period.

(6) Implementation of Share Incentive Scheme

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

(7) Material Connected Transactions

— Connected transactions related to day-to-day operation

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

Connected party	Sale of products or provision of service to connected party		Purchase of products or receipt of service from connected party	
	Transaction Amount RMB'000	Percentage on transaction amount of the same type (%)	Transaction Amount RMB'000	Percentage on transaction amount of the same type (%)
Jiangsu Sundian	1,690	18.47	54,826	84.84
Network Operation Company	4,460	48.74	9,795	15.16
Jiangsu Expressway Petroleum Company	3,001	32.79	—	—
Total	9,151	100	64,621	100

Significant Matters

1. Road Maintenance Service Contracts with Jiangsu Sundian

On 27 March 2009, the Company and its subsidiary, Guangjing Xicheng, entered into maintenance service contracts with Jiangsu Sundian Engineering Co., Ltd. ("Jiangsu Sundian") in respect of the repair and maintenance services of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, for a term commencing on 1 April 2009 and ending on 31 December 2009. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB10 million and RMB50 million, respectively.

The transaction constituted a connected transaction under the Hong Kong Listing Rules and Shanghai Listing Rules because Jiangsu Communications Holdings Company Limited, the Company's controlling shareholder, holds 40% equity interests in Jiangsu Sundian while the Company and Guangjing Xicheng directly hold 7.5% equity interests in Jiangsu Sundian respectively. Jiangsu Sundian has provided repairs and maintenances services to the specified repair and medium-large repair projects of the expressway projects under the Company and Guangjing Xicheng since its establishment in 2003. The transaction was conducted in normal business conduct of the Company and Guangjing Xicheng and has no adverse impact to the Company.

The maintenance service fees are determined by the following principles: the tender prices so accepted will serve as the fee basis for projects to be awarded through public tenders whereas the fee basis for other projects will be determined after arm's length negotiation and with reference to the prevailing market prices reviewed by an independent and qualified cost consultation institute, with principle of not higher than the market price of the relevant projects. Jiangsu Sundian will be given such project. The cap of the maintenance service fees was set according to the estimated works in 2009. The maintenance service fees are to be paid out of the Company and Guangjing Xicheng's own funds. As at the end of the reporting period, the actual amounts of the two contracts were RMB9,728,000 and RMB45,098,000, respectively.

2. Technical Services Provided by Network Operation Company

On 21 August 2009, the Company signed the technical services agreement with Jiangsu Expressway Network Operation and Management Co., Ltd. (the "Network Operation Company"). Pursuant to the agreement, the Network Operation Company provides relevant data audit, statistical and analytical services on relevant data pertaining to inter-network tolling, as well as consultation services on inter-network tolling technology upgrade, for the road and bridge projects of the Company. The Network Operation Company was jointly established by the Company's controlling shareholder, Communications Holdings, and its road and bridge subsidiaries. Communications Holdings is the largest shareholder holding 24.87% equity interests, while the Company and Guangjing Xicheng holds 4.42% equity interests, respectively. In accordance with Chapter 10 of the listing rules of the Shanghai Stock Exchange and Chapter 14A of the Hong Kong Listing Rules, the Network Operation Company is a connected company of the Company. Such transaction constituted a continuing connected transaction relating to the day-to-day operations of the Company.

The fee standards on which the Network Operation Company provided services to the Company were examined by the Jiangsu Price Administration. A fee standard of 0.2% was applied to toll income from highways and bridges received in cash, while 2% was applied to on non-cash income. During 2009, the Company has paid service fees to Toll-network Company amounting to RMB9,795,000 in aggregate.

3. Leasing of Operation of Petroleum Products Sales Business

During the reporting period, Guangjing Xicheng, the Company's subsidiary, renewed a leasing agreement in respect of its petroleum products sales business at the petrol station in the Yangqiao Service Area with Jiangsu Expressway Petroleum Company ("Jiangsu Petroleum Company") for a period of three years from 1 January 2009 to 31 December 2012. Under the agreement between both parties, the leasing fee will be calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee paid to Guangjing Xicheng by Jiangsu Petroleum Company amounted to RMB500,000 per annum. Jiangsu Petroleum Company is a connected company which is held 51.17% equity interests by the Company's controlling shareholder. Such transaction constituted a continuing connected transaction relating to day-to-day operating activities.

During the reporting period, Jiangsu Petroleum Company paid leasing fees to Guangjing Xicheng amounting to RMB3,001,000 in aggregate which was below reporting and disclosure requirements.

4. Leasing of Offices

On 22 August 2008, the Company entered into leasing agreements with Jiangsu Sundian and Network Operation Company, respectively. The Company would lease the offices located in No. 2 Maqun Road and No. 189 Manqun New Street to Jiangsu Sundian and Network Operation Company, respectively with leasing terms commencing on 1 September 2008 and ending on 31 August 2011. Annual leasing fees amounted to RMB1.69 million and RMB4.46 million, respectively, were determined based on a number of factors including the land values of the leasing properties, construction investment and the term for land requisition of the leasing properties, and in consideration of the principles relating to the relevant taxes applied if the properties were resumed for investment.

— Connected Transactions Arising From Purchase and Sale of Assets

On 31 December 2009, the Guangjing Xicheng Company, a subsidiary, and Jiangsu Communications Holdings Company Limited (“Communications Holdings”), Jiangsu Yanjiang Expressway Company Limited (“Yanjiang Expressway”) and Jiangsu Sutong Bridge Co., Limited (“Sutong Bridge”) entered into the “Agreement regarding the Increase in Investment and Capital of Suzhou Nanlin Hotel Co., Ltd.” (“Agreement”). Pursuant to the Agreement, Sutong Bridge would inject RMB90 million to Suzhou Nanlin Hotel Co., Ltd. (“Nanlin Hotel”) in cash accounting for 16.345% of the enlarged registered capital.

According to the “Asset Evaluation Report” (Su Fu Ping Baozi [2009] No.80) issued by Jiangsu Fu Hua Asset Evaluation Co., Ltd. (江蘇富華資產評估有限公司) on 18 November 2009, as at 30 September 2009, the evaluation basis date, the registered capital of Nanlin Hotel was RMB190,495,205, while its total shareholders’ equity (net assets) was estimated to be RMB460,618,400. The ratio between the actual capital and estimated value of Nanlin Hotel was RMB1 to RMB2.418. Sutong Bridge increased cash investment in Nanlin Hotel based on the ratio of 1: 2.418, amounting to RMB 90,000,000, or RMB37,220,763 in registered capital. After the increase in investment and capital, the total registered capital of Nanlin Hotel increased to RMB227,715,968.

On 22 August 2008, Guangjing Xicheng injected RMB160,000,000 or RMB79,495,205 in registered capital into Nanlin Hotel based on the ratio of 1:2.0127, the shareholding was 41.73%. Given the estimated value of the assets higher than the initial contributed value while taking into account the subscription by new shareholders which can broaden the shareholders base, Guangjing Xicheng was not the largest shareholder of Nanlin Hotel and the diluting proportion (decreased from 41.73% to 34.91%) did not seriously affect the shareholders’ interests of Guangjing Xicheng in Nanlin Hotel, Guangjing Xicheng resolved to waive the right of such capital enlargement. After the increase in investment and capital, the shareholding held by Guangjing Xicheng in Nanlin Hotel decreased from 41.71% to 34.91%, and the share of registered capital has not been changed.

While Communications Holdings held 54.44% shares in the Company, it was the controlling shareholder of the Company. Communications Holdings held 50% equity interests in the Sutong Bridge and 80.12% equity interests in Yanjiang Expressway. Pursuant to the listing rules of the Shanghai and Hong Kong stock exchanges, the parties involved in this transaction were connected persons of the Company, and the transaction constituted a connected transaction. However, since the shareholding in question was diluted from 41.73% to 34.91%, the transaction was below the reporting and disclosure requirements.

Significant Matters

— Capital Dealings with Connected Parties

Connected Parties	Provide funding to connected parties		Connected parties provide funding to the Company	
	Amount	Balance	Amount	Balance
Guangjing Xicheng	0	0	500,000	500,000
Far East Shipping	0	0	270,000	270,000
Total	0	0	670,000	770,000

During the reporting period, the Company secured a loan of RMB500,000,000 from its subsidiary, Guangjing Xicheng Company by way of a trust loan with a term of one year at an annual interest rate of 4%, and secured a loan of RMB270,000,000 from its associate, Far East Shipping with a term of one year at an annual interest rate of 5.0445%. As of 31 December 2009, the total amount of the trust loans of the Company secured from connected companies was RMB 770,000,000.

Independent Opinion by Independent Directors on Appropriation of Funds by Connected Parties and External Guarantees of Jiangsu Expressway Company Limited

Pursuant to the requirement "Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Connected Parties and Listed Companies' Provision of Guaranty to External Parties" (Zheng Jiang Fa (2003) No.56 promulgated jointly by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council and the Shanghai Stock Exchange's relevant requirements on the preparation of annual reports by listed companies, the Company prepared the "2009 Summarized Table of Appropriation of Funds by the Controlling Shareholder and Other Connected Parties" (the "Summarized Table").

Upon reviewing the appropriation of funds by the Company's connected parties, the independent directors confirm that the information contained in the Summarized Table is consistent with the content of the 2009 auditors' report issued by Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd., the Company's auditors for the year. The relevant information and data listed in the Summarized Table are truthful, accurate and complete; and that the Company's auditors for the year have issued an unqualified auditors' report.

Upon reviewing the Company's external guarantees, the independent directors confirm that during 2009, the Company did not provide any guarantee to its substantial shareholders, subsidiaries, associates or other connected parties.

Independent Directors:

Fan Cong Lai, Chen Dong Hua, Xu Chang Xin and Gao Bo

19 March 2009

— Confirmation Opinion by Independent Directors on Connected Transactions

The independent directors of the Company have reviewed the continuing connected transactions and confirmed in the annual report and accounts that:

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

(8) Material Contracts and their Fulfilment

1. Trust, Subcontracting and Leasing

During the reporting period, the Company had no material trust and subcontracting.

During the reporting period, the leasing matters of the Company mainly included the leasing of operation of the petroleum products sales business to Jiangsu Expressway Petroleum Company, and the leasing of offices to Jiangsu Sudian and Network Operation Company. For details, please refer to "Material Connected Transactions" of this Chapter.

2. Material Guarantees and Pledge of Assets

During the reporting period, the Company and its subsidiaries did not provide any guarantee for any shareholders or connected party or any other companies, nor was there any pledge of assets subsisting.

3. Entrusted Financial Management

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

Significant Matters

4. Other Material Contracts

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

(9) Undertakings and Fulfillment of Undertakings

Undertakings	Details of undertakings	Fulfillment of undertakings
Undertakings regarding the share reform	<p>Jiangsu Communications Holding Company Limited and Huajian Transportation Economic Development Center, holding over 5% of the Company' shares, made the following undertakings during the share reform:</p> <ol style="list-style-type: none">1. Within 60 months from the day on which the listing status is granted, the original non-circulating shares of the Company held by the two companies will not be traded on the Shanghai Stock Exchange.2. The two companies will propose a motion and vote for a proposal at each of the 2005-2008 annual general meetings of the Company regarding a cash dividend payment of not less than 85% of the distributable profit of the Company realized in the relevant year.	The Company is not aware that such shareholders were in breach of the relevant undertakings during the reporting period.
Other undertakings made to medium and minor shareholders of the Company	<p>Undertakings made by the Board of the Company regarding the profit distribution for 2009:</p> <p>Cash dividend will be distributed once in 2009 and the distribution ratio shall not be less than 85% of the distributable profit for the year.</p>	Fulfilled

(10) Appointment of Auditors

For details of appointment of auditors and their remuneration, please refer to "Domestic and Overseas Auditors" of the "Corporate Governance Report" of this annual report.

(11) Regulatory Sanctions by CSRC

During the reporting period, there was no administrative penalty, criticism through circulation of a public notice, or other public condemnation imposed against the Company, the Board, the Supervisory Committee, or any of its directors, supervisors, senior management members by CSRC.

(12) Other Information Index

Announcements of the Company were published in China Securities Journal, Shanghai Securities News and the websites of Shanghai Stock Exchange at www.sse.com.cn, Hong Kong Stock Exchange at www.hkex.com.hk and the website of the Company at www.jssexpressway.com,

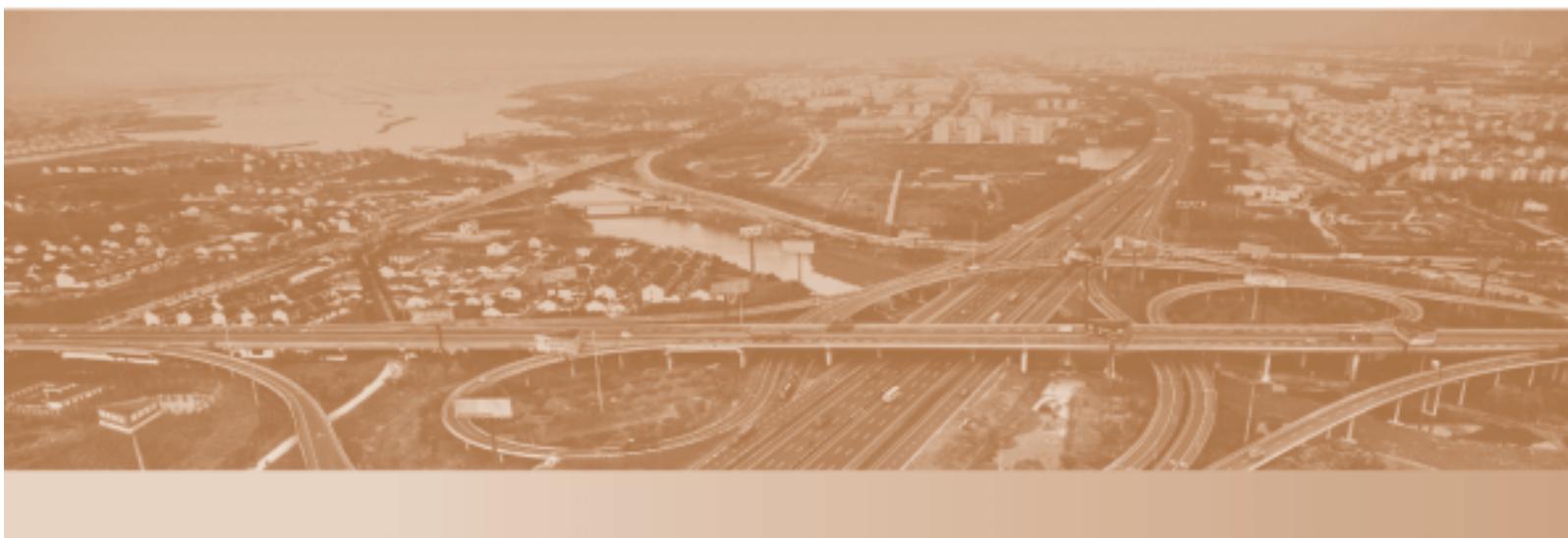
Shanghai Stock Exchange Announcement code	Publication Date	Particulars
臨 2009-001	2009-1-7	Announcement on the Twenty-first Meeting of the Fifth Session of the Board of Directors
臨 2009-002	2009-1-7	Announcement of the Supervisory Committee and Change of Supervisor
臨 2009-003	2009-1-19	Announcement on Interest Payment of Corporate Bonds
臨 2009-004	2009-1-21	Supplemental Announcement on Interest Payment of Corporate Bonds
臨 2009-005	2009-1-21	Notice of 2009 First Extraordinary General Meeting and circular
臨 2009-006	2009-3-11	Announcement on the Resolution of the 2009 First Extraordinary General Meeting
臨 2009-007	2009-3-11	Announcement of the Fourteenth Meeting of the Fifth Session of the Supervisory Committee
臨 2009-008	2009-3-18	Announcement on the Twenty-second Meeting of the Fifth Session of Board of Directors
臨 2009-009	2009-3-27	Announcement on the Twenty-third Meeting of the Fifth Session of the Board of Directors Meeting
臨 2009-010	2009-3-27	Announcement of the Fifteenth Meeting of the Fifth Session of the Supervisory Committee Meeting
臨 2009-011	2009-3-27	Road Maintenance Service Contract with Jiangsu Sundian Engineering Co., Ltd.
臨 2009-012	2009-4-24	Announcement on First Quarterly Report
臨 2009-013	2009-4-24	Announcement on Change in Director
臨 2009-014	2009-4-24	Announcement on the Supervisory Committee Meeting and on Change of Supervisors
臨 2009-015	2009-4-30	Notice of 2008 Annual General Meeting and Circular
臨 2009-016	2009-6-2	Announcement on the Sixth Listing of Circulating Shares with Selling Restrictions
臨 2009-017	2009-6-17	Announcement of the Resolutions of the 2008 Annual General Meeting
臨 2009-018	2009-6-17	Announcement of the First Meeting of the Sixth Session of the Board of Directors/The Appointment of the Specialized Committee Members

Significant Matters

Shanghai Stock Exchange Announcement code	Publication Date	Particulars
臨 2009-019	2009-6-17	Announcement of the First Meeting of the Sixth Session of the Supervisory Committee
臨 2009-020	2009-6-29	Announcement on Rectification of Unreasonable Discrepancies of Toll-by-Weight Standards along Expressways
臨 2009-021	2009-6-30	Announcement on Implementation of 2008 Profit Distribution
臨 2009-022	2009-7-13	Announcement on the Company's Non-compliance with the Requirement on Minimum Number of Independent Non-executive Directors
臨 2009-023	2009-7-21	Announcement on Interest Payment of Corporate Bonds
臨 2009-024	2009-8-21	Announcement on the Second Meeting of the Sixth Session of the Board of Directors
臨 2009-025	2009-8-21	Continuing Connected Transaction in Respect of Provision of Operation Technical Services by Jiangsu Expressway Network Operation & Management Co., Ltd.
臨 2009-026	2009-8-21	Notice of 2009 Second Extraordinary General Meeting
臨 2009-027	2009-8-21	Announcement on Change in Directors
臨 2009-028	2009-9-25	Announcement on the Fourth Meeting of the Sixth Session of the Board of Directors
臨 2009-029	2009-9-25	Announcement on the Third Meeting of the Sixth Session of the Supervisory Committee
臨 2009-030	2009-9-25	Announcement on Changes in Directors and Supervisors of the Company
臨 2009-031	2009-9-28	Supplemental Notice in Respect of the 2009 Second Extraordinary General Meeting
臨 2009-032	2009-10-20	Announcement of the Resolutions of the 2009 Second Extraordinary General Meeting
臨 2009-033	2009-10-20	Announcement on the Sixth Meeting of the Sixth Session of the Board of Directors

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JIANGSU EXPRESSWAY COMPANY LIMITED (incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Jiangsu Expressway Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 113 to 160, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

19 March 2010

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000 (Restated)
Revenue	5	5,586,887	5,133,732
Cost of sales and other direct operating costs		(2,515,978)	(2,499,443)
Gross profit		3,070,909	2,634,289
Other income		23,763	26,729
Administrative expenses		(136,498)	(121,730)
Finance costs	7	(392,379)	(550,354)
Share of profits of associates		174,212	151,412
Changes in fair value of held-for-trading investments		13,105	(1,479)
Gain on disposal of a subsidiary	8	—	1,072
Profit before tax		2,753,112	2,139,939
Income tax expense	9	(650,477)	(502,317)
Profit for the year	10	2,102,635	1,637,622
Profit for the year attributable to:			
Owners of the Company		2,052,184	1,592,209
Minority interests		50,451	45,413
		2,102,635	1,637,622
Earnings per share - Basic	14	RMB0.41	RMB0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2009

		2009 RMB'000	2008 RMB'000
Profit for the year		2,102,635	1,637,622
Other comprehensive income			
Share of other comprehensive income of associates		136,869	66,716
Other comprehensive income for the year		136,869	66,716
Total comprehensive income attributable to:			
Owners of the Company		2,189,053	1,658,925
Minority interests		50,451	45,413
		2,239,504	1,704,338

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	1,340,271	1,501,952
Concession intangible assets	16	17,678,759	18,214,241
Prepaid lease payments	17	1,029,982	1,095,262
Investment properties	18	14,804	—
Interests in associates	19	1,916,820	1,870,764
Available-for-sale financial assets	20	150,566	13,668
Deferred tax assets	22	5,211	5,336
		22,136,413	22,701,223
Current assets			
Inventories	23	14,118	9,951
Properties under development	24	36,992	106,950
Properties for sale	25	38,047	—
Prepayments and other receivables	26	1,343,072	57,890
Prepaid lease payments	17	65,280	65,280
Held-for-trading investments	21	52,100	39,967
Bank balances and cash	27	517,820	460,593
		2,067,429	740,631
Current liabilities			
Other payables	28	209,110	334,364
Construction costs payable		129,067	279,184
Tax liabilities		108,581	156,756
Dividend payable		47,064	32,735
Long-term borrowings - due within one year	29	201,692	201,693
Short-term borrowings	30	3,075,850	2,650,000
		3,771,364	3,654,732
Net current liabilities		(1,703,935)	(2,914,101)
Total assets less current liabilities		20,432,478	19,787,122
Non-current liabilities			
Deferred tax liabilities	22	4,013	974
Long-term borrowings - due after one year	29	4,514,031	4,711,985
		4,518,044	4,712,959
Net assets		15,914,434	15,074,163

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	31	5,037,748	5,037,748
Reserves	32	10,426,460	9,597,599
Equity attributable to owners of the Company		15,464,208	14,635,347
Minority interests		450,226	438,816
Total equity		15,914,434	15,074,163

The consolidated financial statements on pages 113 to 160 were approved and authorised for issue by the Board of Directors on 19 March 2010 and are signed on its behalf by:

Shen Chang Quan

DIRECTOR

Qian Yong Xiang

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2009

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	5,037,748	5,730,454	1,350,008	—	2,218,404	14,336,614	429,335	14,765,949
Profit for the year	—	—	—	—	1,592,209	1,592,209	45,413	1,637,622
Other comprehensive income for the year	—	—	—	66,716	—	66,716	—	66,716
Total comprehensive income for the year	—	—	—	66,716	1,592,209	1,658,925	45,413	1,704,338
Appropriations	—	—	177,339	—	(177,339)	—	—	—
Dividends	—	—	—	—	(1,360,192)	(1,360,192)	—	(1,360,192)
Dividends paid to minority shareholders	—	—	—	—	—	—	(35,932)	(35,932)
Reserves released on disposal of a subsidiary	—	—	(2,524)	—	2,524	—	—	—
At 31 December 2008	5,037,748	5,730,454	1,524,823	66,716	2,275,606	14,635,347	438,816	15,074,163
At 1 January 2009	5,037,748	5,730,454	1,524,823	66,716	2,275,606	14,635,347	438,816	15,074,163
Profit for the year	—	—	—	—	2,052,184	2,052,184	50,451	2,102,635
Other comprehensive income for the year	—	—	—	136,869	—	136,869	—	136,869
Total comprehensive income for the year	—	—	—	136,869	2,052,184	2,189,053	50,451	2,239,504
Appropriations	—	—	222,903	—	(222,903)	—	—	—
Dividends	—	—	—	—	(1,360,192)	(1,360,192)	—	(1,360,192)
Dividends paid to minority shareholders	—	—	—	—	—	—	(39,041)	(39,041)
At 31 December 2009	5,037,748	5,730,454	1,747,726	203,585	2,744,695	15,464,208	450,226	15,914,434

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before tax		2,753,112	2,139,939
Adjustments for:			
Finance costs		392,379	550,354
Change in fair value of held-for-trading investments		(13,105)	1,479
Dividend from unlisted available-for-sale financial assets		(200)	(200)
Share of profits of associates		(174,212)	(151,412)
Gain on disposal of a subsidiary		—	(1,072)
Depreciation and amortisation		759,843	810,664
Operating lease rental in respect of land use rights		65,280	65,280
Impairment loss reversed in respect of other receivables		(500)	(2,416)
Exchange gain in respect of long term bank loans		(30)	(2,329)
Loss on disposal of property, plant and equipment		15,454	1,374
Operating cash flows before movements in working capital		3,798,021	3,411,661
Increase in inventories		(4,167)	(1,030)
Increase (decrease) in properties under development		69,958	(65,255)
Increase in properties for sale		(38,047)	—
(Increase) decrease in prepayments and other receivables		(1,259,682)	17,841
Decrease in held-for-trading investments		972	899
(Decrease) increase in other payables		(72,935)	23,303
Cash generated from operations		2,494,120	3,387,419
PRC income tax paid		(695,488)	(621,415)
Net cash generated from operating activities		1,798,632	2,766,004
Investing activities			
Dividend received from associates		131,127	113,750
Dividend received from available-for-sale financial assets		200	200
Disposal of a subsidiary	8	—	(24,687)
Proceeds on disposals of property, plant and equipment		3,759	515
Purchase of property, plant and equipment and toll roads infrastructures		(259,930)	(827,418)
Purchase of investment properties		(14,884)	—
Purchase of available-for-sale financial assets		—	(800)
Acquisition of an associate		—	(160,000)
Net cash used in investing activities		(139,728)	(898,440)



		2009 RMB'000	2008 RMB'000
Financing activities			
Interest paid		(438,516)	(464,028)
Dividends paid		(1,345,863)	(1,346,929)
Dividends paid to minority shareholders		(39,041)	(35,932)
Proceeds from long-term borrowings		—	3,088,300
Repayment of long-term borrowings		(201,694)	(1,660,000)
Proceeds from short-term borrowings		7,355,850	5,119,660
Repayment of short-term borrowings		(6,930,000)	(7,223,590)
Payment for bond issue cost		(2,413)	(13,399)
Net cash used in financing activities		(1,601,677)	(2,535,918)
Net increase (decrease) in cash and cash equivalents		57,227	(668,354)
Cash and cash equivalents at beginning of the year		460,593	1,128,947
Cash and cash equivalents at end of the year, represented by bank balances and cash		517,820	460,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 1 August 1992 as a joint stock limited company and its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, respectively. Its parent is Jiangsu Communications Holding Company Limited 江蘇交通控股有限公司 ("Jiangsu Communications Holding"), a state-owned enterprise incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The principal activities of the Group are the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway ("Ninghu Expressway"), the Jiangsu section of the 312 National Highway (the "312 National Highway"), the Guangjing Xicheng Expressway, Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing-Lianyungang Highway") and other toll roads in Jiangsu Province PRC, and the provision of passenger transport services and other supporting services along the toll roads.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32&1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) - Int 13	Customer Loyalty Programmes
HK (IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of these new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - *continued*

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKAS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, no segment information was presented, as the Group had only single business and geographical segment respectively. The application of HKFRS 8 has resulted in presentation of the Group’s operating segment information for the first time (see note 6).

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendment to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provisions set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC)-Int 14	Payments of a Minimum Funding Requirement ⁵
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods ending on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 July 2010

⁷ Effective for transfers on or after 1 January 2013

The directors of the Company anticipate that the application of the new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain held-for-trading investments which are measured at fair value as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.



3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Interests in associates - *continued*

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Toll revenue, net of business tax, is recognised on a receipt basis.

Sale of petrol is recognised when delivery has taken place.

Sale of food and beverages are recognised when goods and services are provided.

Emergency assistance income and advertising income are recognised when services are rendered.

Income from sales of properties is recognised upon the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits received from pre-sale activities of properties are recognised as pre-sale deposits and included as other payables.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the bank deposits to their net carrying amount.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of services, or for administrative purpose other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are stated at cost less any accumulated impairment losses.

Leasing

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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Land use right

Land use right are accounted for as prepaid lease payments and are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.



3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

The employees of the Company and its subsidiaries are members of state-managed retirement pension schemes, under which the Group's obligations are equivalent to those arising in a defined contribution retirement pension plan. Payments made to the state-managed retirement pension schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Taxation - *continued*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Service concession arrangements

When the Group has a right to charge for usage of concession toll roads (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at cost, which approximates to fair value upon initial recognition. The toll road operation rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of the toll road operation rights are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. .

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Properties under development

Properties under development, representing properties located in PRC under development for future sale in ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Properties for sale

Properties held for sale are completed properties held for sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses.



3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held-for-trading and those designated as at FVTPL on initial recognition.

The Group's financial assets at FVTPL are financial assets held-for-trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets at fair value through profit or loss - continued

At the end of the reporting period subsequent to initial recognition, financial assets held-for-trading is measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables including bank balances and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any other categories.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.



3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Impairment of financial assets - continued

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank and other borrowings, dividend payable, construction costs payable and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements.

Amortisation of toll road operation rights

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

The management exercises their judgment in estimating the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads.

Estimated impairment of toll road operation rights

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

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

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

5. REVENUE

	2009 RMB'000	2008 RMB'000 (Restated)
Turnover comprises:		
Toll revenue	4,160,300	3,869,379
Ancillary Services	1,203,574	1,225,976
Sale of properties	175,629	—
Others	47,384	38,377
	5,586,887	5,133,732

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel's serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

In prior years, as all the Group's operations are located and carried out in the PRC, and the principal activities of the Group is solely the operation and management of toll roads, accordingly, no segment information by business and geographical segment was presented.

However, information reported to the Group's chief operating decision makers for the purposes of resources allocation and assessment of performance focuses on the respective toll roads. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Toll roads

- Ninghu Expressway
- 312 National Highway
- Nanjing-Lianyungang Highway
- Guangjing Xicheng Expressway

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

6. SEGMENT INFORMATION - continued

Ancillary services

Other operations

Ancillary services include the sale of petrol, food and beverage and other goods in service zones along the highways.

Other operations include the Group's property development and investment, and provision of advertisement services.

Information regarding the Group's operating segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments for the years under review:

	2009			2008		
	Segment Revenue RMB'000	Sales tax RMB'000	Reported Revenue RMB'000	Segment Revenue RMB'000	Sales tax RMB'000	Reported Revenue RMB'000 (Restated)
Revenue						
Toll roads						
- Ninghu Expressway	3,552,245	(118,289)	3,433,956	3,203,537	(106,678)	3,096,859
- 312 National Highway	133,644	(7,417)	126,227	178,867	(9,927)	168,940
- Nanjing-Lianyungang Highway	40,788	(1,359)	39,429	41,490	(1,382)	40,108
- Guangjing Xicheng Expressway	580,002	(19,314)	560,688	582,882	(19,410)	563,472
Ancillary Services	1,211,654	(8,080)	1,203,574	1,231,987	(6,011)	1,225,976
Other operations	223,013	—	223,013	38,377	—	38,377
Total	5,741,346	(154,459)	5,586,887	5,277,140	(143,408)	5,133,732

6. SEGMENT INFORMATION - continued

Segment revenues and results - continued

	2009			2008		
	Segment profit RMB'000	Adjustment RMB'000 (note)	Reported profit RMB'000	Segment profit RMB'000	Adjustment RMB'000 (note)	Reported profit RMB'000 (Restated)
Segment profit						
Toll roads						
- Ninghu Expressway	2,605,457	41,211	2,646,668	2,287,619	38,198	2,325,817
- 312 National Highway	(126,799)	—	(126,799)	(129,249)	—	(129,249)
- Nanjing-Lianyungang Highway	20,092	—	20,092	18,066	—	18,066
- Guangjing Xicheng Expressway	414,973	—	414,973	377,797	—	377,797
Ancillary Services	37,026	—	37,026	17,245	—	17,245
Other operations	78,949	—	78,949	24,613	—	24,613
Total	3,029,698	41,211	3,070,909	2,596,091	38,198	2,634,289
Other income			23,763			26,729
Administrative expenses			(136,498)			(121,730)
Finance costs			(392,379)			(550,354)
Share of profits of associates			174,212			151,412
Changes in fair value of held-for-trading investments			13,105			(1,479)
Gain on disposal of a subsidiary			—			1,072
Profit before tax			2,753,112			2,139,939
Income tax expense			(650,477)			(502,317)
Profit for the year			2,102,635			1,637,622

Segment profit represents the gross profit earned by each segment prepared in accordance with accounting principles and regulations applicable to enterprises established in the People's Republic of China ("PRC GAAP") without allocation of other income, central administrative expenses, finance costs, share of profits of associates and investment income. This is the measure reported to the Group's Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

Note: The adjustment represents depreciation and amortization charge on the property, plant and equipment and operating right of toll roads which have been recognised at revalued amounts in the PRC GAAP financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

6. SEGMENT INFORMATION - continued

Segment assets and liabilities

The following is an analysis of the Group's assets by operating segments:

Segment assets

	2009			2008		
	Segment assets RMB'000	Adjustment RMB'000 (note)	Reported amount RMB'000	Segment assets RMB'000	Adjustment RMB'000 (note)	Reported amount RMB'000
Toll roads						
- Ninghu Expressway	15,765,914	(1,292,362)	14,473,552	16,080,691	(1,333,573)	14,747,118
- 312 National Highway	2,830,085	—	2,830,085	3,013,160	—	3,013,160
- Nanjing-Lianyungang Highway	363,925	—	363,925	376,330	—	376,330
- Guangjing Xicheng Expressway	1,937,520	—	1,937,520	1,878,154	—	1,878,154
Ancillary Services	416,539	—	416,539	334,826	—	334,826
Other operations	1,544,840	—	1,544,840	329,792	—	329,792
Total	22,858,823	(1,292,362)	21,566,461	22,012,953	(1,333,573)	20,679,380
Unallocated assets	2,637,381	—	2,637,381	2,762,474	—	2,762,474
Consolidated assets	25,496,204	(1,292,362)	24,203,842	24,775,427	(1,333,573)	23,441,854
Unallocated assets include:						
Interest in associates			1,916,820			1,870,764
Bank balances and cash			517,820			460,593
Held for trading investments			52,100			39,967
Others			150,641			391,150
Total unallocated assets			2,637,381			2,762,474

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to operating segments other than interest in associates, held for trading investments, bank balances and cash and other corporate assets.

Segment assets are reported to the Group's Chief Operating Decision Maker based on amounts reported under the PRC GAAP financial statements.

Note: The adjustment represents the revaluation of the property, plant and equipment and operating right of toll roads (less accumulated depreciation and amortisation) which have been recognised in the PRC GAAP financial statements.

6. SEGMENT INFORMATION - continued

Segment assets and liabilities - continued

Segment liabilities

No segment liability is reported to the Group's Chief Operating Decision Maker.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

2009

	Ninghu Expressway RMB'000	312 National Highway RMB'000	Nanjing- Lianyungang Highway RMB'000	Guangjing Xicheng Expressway RMB'000	Ancillary Services RMB'000	Other operations RMB'000
Addition to non-current assets (note1)	25,788	90,000	—	53,962	—	—
Segment depreciation and amortisation	539,824	177,713	12,405	61,259	15,498	9,858
Adjustment (note2)	(41,211)	—	—	—	—	—
Reported depreciation and amortisation	498,613	177,713	12,405	61,259	15,498	9,858

2008

	Ninghu Expressway RMB'000	312 National Highway RMB'000	Nanjing- Lianyungang Highway RMB'000	Guangjing Xicheng Expressway RMB'000	Ancillary Services RMB'000	Other operations RMB'000
Addition to non-current assets (note 1)	717,271	—	—	—	—	—
Segment depreciation and amortisation	540,949	223,244	14,965	68,253	17,431	7,608
Adjustment (note 2)	(38,198)	—	—	—	—	—
Reported depreciation and amortisation	502,751	223,244	14,965	68,253	17,431	7,608

Note 1: Non-current assets excluded financial instruments and deferred tax assets.

Note 2: The adjustment represents depreciation and amortization charge of the property, plant and equipment and operating right of toll roads which have been recognised at revalued amounts in the PRC GAAP financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

6. SEGMENT INFORMATION - *continued*

Geographical information

All the Group's operations are located and carried out in Jiangsu Province, PRC. Accordingly, no segment information by geographical is presented.

Information about major customers

The Group's major operations are public infrastructure service and there is no single customer which contributes more than 10% of the group's revenue.

7. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	389,642	476,136
Over five years	324	60,819
	389,966	536,955
Bond issue cost	2,413	13,399
Total borrowing costs	392,379	550,354

8. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2007, the Group entered into an agreement to dispose of a subsidiary, Jiangsu Sundian Engineering Co., Ltd. ("Sundian"), which the Group had an effective 95.5% equity interest, to Jiangsu Communications Holding and other entities associated with Jiangsu Communications Holding (the "Jiangsu Communication Holding Group"). The disposal was completed on 1 January 2008, on which date control of Sundian passed to the acquirer. On completion of the disposal, the Group's effective interest in Sundian was diluted and reduced to 15% with investment cost of RMB 7,368,000, which has been transferred into available for-sale-investments.

8. DISPOSAL OF A SUBSIDIARY - continued

The net assets of Sundian disposed of at the date of disposal were as follows:

	1.1.2008 RMB'000
Net assets disposed of:	
Property, plant and equipment	30,707
Inventories	4,275
Trade and other receivables	31,531
Bank balances and cash	29,787
Trade and other payables	(21,524)
Amounts due to related companies	(23,010)
Tax liabilities	(480)
	51,286
Retained investment cost	(7,368)
Gain on disposal	1,072
Total consideration	44,990
Net cash outflow arising on disposal:	
Cash consideration	44,990
Bank balances and cash disposed of	(29,787)
Cash received in advance in the year of 2007	(39,890)
	(24,687)

9. TAXATION

	2009 RMB'000	2008 RMB'000
The charge comprises:		
PRC income tax	641,002	502,164
Under provision of prior years' tax	6,311	—
	647,313	502,164
Deferred tax charge (note 22)	3,164	153
Taxation attributable to the Company and its subsidiaries	650,477	502,317

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. TAXATION - continued

The tax charge for the year ended 31 December 2009 can be reconciled to the profit before tax as follows:

	2009		2008	
	RMB'000	%	RMB'000	%
Profit before tax	2,753,112		2,139,939	
Tax at the domestic tax rate of 25% (2008: 25%)	688,278	25	534,985	25.0
Tax effect of expenses not deductible for tax purpose	—	—	5,185	0.2
Tax effect of income not taxable for tax purpose	(559)	—	—	—
Tax effect of share of profits of associates	(43,553)	(1.6)	(37,853)	(1.7)
Under provision of prior years' tax	6,311	0.2	—	—
Tax charge and effective tax rate for the year	650,477	23.6	502,317	23.5

10. PROFIT FOR THE YEAR

	2009	2008
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Staff costs including directors' emoluments	295,573	272,043
Retirement benefits scheme contributions	54,082	40,866
Total staff costs	349,655	312,909
Auditor's remuneration	2,100	2,100
Depreciation and amortisation (included in cost of sales and other direct operating costs)	759,843	810,664
Loss on disposal of property, plant and equipment	15,454	1,374
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	65,280	65,280
Cost of inventories recognised as an expense	1,169,101	1,102,360
Share of tax of associates (included in share of profits of associates)	55,020	54,495
and after crediting:		
Interest income from bank deposits	6,113	7,677
Dividend income from unlisted available-for-sale financial assets	200	200
Reversal of impairment loss made on other receivables	500	2,416
Government subsidies	190	—

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors and supervisors were as follows:

	Shen		Qian		Zhang		Sun		Chen		Cui		Fang*		Cheng*		Yang*		Fan*		Chen*		Yan#		Shao Li#		Total	
	RMB'000	Yongxiang	RMB'000	Wensheng	RMB'000	Hongming	RMB'000	Xianghui	RMB'000	Xiaolong	RMB'000	Hung	RMB'000	Yungtsung	RMB'000	Xiongsheng	RMB'000	Conglai	RMB'000	Donghua	RMB'000	Shimin	RMB'000	Shao Li#	RMB'000	Shao Li#	RMB'000	RMB'000
2009																												
Fees	—	—	—	—	—	—	—	—	—	—	264	—	264	264	25	25	50	—	25	—	—	—	—	—	—	—	—	628
Other emoluments:																												
Salaries and other benefits	—	370	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	222	—	—	200	—	—	792	
Contributions to retirement benefits/pension schemes	—	24	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18	—	16	—	—	—	58	
Total emoluments	—	394	—	—	—	—	—	—	—	—	264	—	264	264	25	25	50	—	25	—	240	—	216	—	—	—	1,478	

	Shen		Xie		Zhang		Sun		Chen		Cui		Fang*		Cheng		Yang*		Fan*		Yan#		Zhou		Total			
	RMB'000	Changquan	RMB'000	Jiaquan	RMB'000	Wensheng	RMB'000	Hongming	RMB'000	Xianghui	RMB'000	Xiaolong	RMB'000	Hung	RMB'000	Yungtsung	RMB'000	Xiongsheng	RMB'000	Conglai	RMB'000	Shimin	RMB'000	Shao Li#	RMB'000	Haoliang#	RMB'000	
2008																												
Fees	—	—	—	—	—	—	—	—	—	—	—	—	176	—	176	176	50	50	—	50	—	—	—	—	—	—	—	452
Other emoluments:																												
Salaries and other benefits	—	360	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	216	—	195	54	—	—	825	
Contributions to retirement benefits/pension schemes	—	46	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	46	—	46	12	—	—	150	
Total emoluments	—	406	—	—	—	—	—	—	—	—	—	—	176	—	176	176	50	50	—	50	262	241	66	—	—	1,427		

* Independent non-executive directors

Supervisors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. EMPLOYEES' EMOLUMENTS

One (2008: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note 11. The emoluments of the remaining four (2008: four) individuals were as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other benefits	1,055	1,041
Contributions to retirement benefits schemes	84	185
	1,139	1,226

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
Nil to HKD 1,000,000	4	4

13. DIVIDEND

	2009 RMB'000	2008 RMB'000
Dividend recognised as distribution during the year: Final – RMB 0.27 (2008: RMB 0.27) per share	1,360,192	1,360,192

Pursuant to a directors' meeting dated 19 March 2010, a final dividend of RMB 0.31 (2008: directors' meeting dated 27 March 2009 for a final dividend of RMB 0.27) per share for the year ended 31 December 2009, totaling RMB 1,561,701,725 has been proposed by the directors and is subject to approval by the shareholders in the next general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the owners of the Company of RMB 2,052,184,000 (2008: RMB1,592,209,000) and 5,037,747,500 (2008: 5,037,747,500) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2009.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Safety equipment RMB'000	Communication and signalling equipment RMB'000	Toll stations and ancillary equipment RMB'000	Motor vehicles RMB'000	Other machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2008	764,328	640,421	341,924	302,950	172,806	452,543	50,871	2,725,843
Additions	7,017	—	2,990	7,901	6,365	15,462	65,935	105,670
Transfers	46,337	2,024	1,296	5,259	—	16,101	(71,017)	—
Reclassification	21,575	—	1,627	617	—	(25,583)	—	(1,764)
Disposal of a subsidiary	(860)	—	—	—	(8,273)	(47,848)	(2,876)	(59,857)
Disposals	(800)	—	—	—	(4,910)	(6,832)	—	(12,542)
At 31 December 2008	837,597	642,445	347,837	316,727	165,988	403,843	42,913	2,757,350
Additions	4,042	—	8,934	2,749	8,770	10,503	20,853	55,851
Transfers	18,624	—	—	6,100	—	867	(25,591)	—
Reclassification	(3,008)	138	(52,443)	1,708	839	52,766	—	—
Disposals	(3,538)	(243,939)	(167,482)	(41,467)	(5,754)	(22,415)	(28,000)	(512,595)
At 31 December 2009	853,717	398,644	136,846	285,817	169,843	445,564	10,175	2,300,606
DEPRECIATION AND AMORTISATION								
At 1 January 2008	171,438	367,635	126,379	178,463	85,602	198,137	—	1,127,654
Provided for the year	27,737	45,348	34,224	17,696	10,543	31,655	—	167,203
Reclassification	442	587	8,592	500	—	(9,777)	—	344
Eliminated on disposal of a subsidiary	(170)	—	—	—	(3,609)	(25,371)	—	(29,150)
Eliminated on disposals	(272)	—	—	—	(4,499)	(5,882)	—	(10,653)
At 31 December 2008	199,175	413,570	169,195	196,659	88,037	188,762	—	1,255,398
Provided for the year	33,036	35,535	17,129	26,195	8,714	49,710	—	170,319
Reclassification	(25,145)	(10,662)	1,874	1,681	9,142	23,110	—	—
Eliminated on disposals	(927)	(236,564)	(162,458)	(39,712)	(4,668)	(21,053)	—	(465,382)
At 31 December 2009	206,139	201,879	25,740	184,823	101,225	240,529	—	960,335
CARRYING VALUES								
At 31 December 2009	647,578	196,765	111,106	100,994	68,618	205,035	10,175	1,340,271
At 31 December 2008	638,422	228,875	178,642	120,068	77,951	215,081	42,913	1,501,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT - *continued*

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account the estimated residual value on a straight line basis, at the following rates per annum:

Buildings	3.2%
Safety equipment	9.7%
Communication and signaling equipment	9.7%
Toll stations and ancillary equipment	12.1%
Motor vehicles	9.7%
Other machinery and equipment	9.7-12.1%

All the Group's buildings are situated in the PRC and held under medium-term land use rights.

16. CONCESSION INTANGIBLE ASSETS

	Toll road operation rights RMB'000
COST	
At 1 January 2008	21,584,928
Additions	62,307
Reclassification	1,764
At 31 December 2008	21,648,999
Additions	53,962
At 31 December 2009	21,702,961
AMORTISATION	
At 1 January 2008	2,791,641
Provided for the year	643,461
Reclassification	(344)
At 31 December 2008	3,434,758
Provided for the year	589,444
At 31 December 2009	4,024,202
CARRYING VALUES	
At 31 December 2009	17,678,759
At 31 December 2008	18,214,241

16. CONCESSION INTANGIBLE ASSETS - continued

The toll roads infrastructures are all located in the PRC. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for periods ranging from 27 to 36 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods is attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009 RMB'000	2008 RMB'000
Medium-term lease in the PRC	1,095,262	1,160,542
Analysed for reporting purposes as:		
Non-current asset	1,029,982	1,095,262
Current asset	65,280	65,280
	1,095,262	1,160,542

18. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2009	—
Additions	14,884
At 31 December 2009	14,884
DEPRECIATION	
At 1 January 2009	—
Provided for the year	80
At 31 December 2009	80
CARRYING VALUES	
At 31 December 2009	14,804
At 31 December 2008	—

The fair value of the Group's investment properties at 31 December 2009 approximates to the cost. The fair value was determined by reference to recent market prices for similar properties in the same location and conditions.

The above investment properties are held under medium-term lease in the PRC and are depreciated on a straight-line basis at 3.2% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

19. INTERESTS IN ASSOCIATES

	2009 RMB'000	2008 RMB'000
Unlisted investments, at cost	1,450,164	1,550,164
Share of post-acquisition profits and other comprehensive income, net of dividends received	466,656	320,600
	1,916,820	1,870,764

At 31 December 2009, the Group had interests in the following associates, all of which are limited liability companies:

Name of entity	Place of registration and operations	Proportion of registered capital held by the Group		Principal activity
		Directly	Indirectly by subsidiaries	
Jiangsu Kuailu Motor Transport Co., Ltd.	PRC	33.20%	—	Provision of passenger transportation service
Jiangsu Yangtze Bridge Co., Ltd.	PRC	26.66%	—	Investment, construction, operation and management of Jiangyin Yangtze River Bridge
Suzhou Sujiahang Expressway Co., Ltd.	PRC	33.33%	—	Investment, construction, operation and management of Sujiahang Expressway
Jiangsu SEU Intelligent System Technology Co., Ltd.	PRC	—	20.69%	Computer software development
Suzhou Nanlin Hotel (Note)	PRC	—	34.91%	Operation of a hotel

Note: As at 31 December 2008, the Group has indirect equity interest of 41.73% in Suzhou Nanlin Hotel. In the current year, Jiangsu Sutong Bridge Co., Ltd. contributed capital of RMB 90,000,000 to Suzhou Nanlin Hotel. Upon completion of the new capital contribution, the Group's effective equity interest in Suzhou Nanlin Hotel has been diluted from 41.73% to 34.91%.

As at 31 December 2008, the Group has indirect equity interest of 20% in Jiangsu Leasing Co., Ltd ("Jiangsu Leasing"). The Group was able to exercise significant influence over Jiangsu Leasing and it was classified as an associate of the Group. In the current year, Bank of Nanjing Co., Ltd increased its capital contribution of Jiangsu Leasing Co., after which the Group's effective interest has been diluted and reduced from 20% to 13%. Thereafter, the Group was unable to exercise significant influence over Jiangsu Leasing and the investment was reclassified as available for sale equity investment. (See note 20).

19. INTERESTS IN ASSOCIATES - continued

Included in the cost of investment in associates is goodwill of RMB81,815,000 (2008: RMB81,815,000) arising on acquisitions of associates in prior years. The carrying amounts of goodwill at 31 December 2009 are related to the following associates:

	2009 RMB'000	2008 RMB'000
Jiangsu Yangtze Bridge Co., Ltd.	53,207	53,207
Suzhou Sujiahang Expressway Co., Ltd.	28,608	28,608
	81,815	81,815

The summarised financial information in respect of the Group's associates is set out below:

	2009 RMB'000	2008 RMB'000
Total assets	13,069,383	12,631,423
Total liabilities	(6,243,478)	(6,203,992)
Net assets	6,825,905	6,427,431
Group's share of net assets of associates	1,835,005	1,788,949
Revenue	1,788,116	1,844,665
Profit for the year	586,225	564,195
Group's share of result of associates for the year	174,212	151,412

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets at 31 December 2009 comprise:

	2009 RMB'000	2008 RMB'000
Unlisted equity securities, at cost	150,566	13,668

The above unlisted investments represent investments in unlisted equity securities. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2009 RMB'000	2008 RMB'000
Equity securities listed in PRC	—	22
Gold bullion	52,100	39,945
	52,100	39,967

The held-for-trading investments are stated at fair value which derived from quoted prices in active markets for identical assets. The fair value of the held-for-trading investments is under level 1 fair value measurement hierarchy.

22. DEFERRED TAXATION

The following are the deferred tax assets (liabilities) recognised and movements thereon during the current and prior year:

	Change of fair value of investments RMB'000	Impairment loss on other receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	(1,350)	5,842	23	4,515
(Charge) credit to consolidated income statement for the year	376	(554)	25	(153)
At 31 December 2008	(974)	5,288	48	4,362
(Charge) credit to consolidated income statement for the year	(3,039)	(125)	—	(3,164)
At 31 December 2009	(4,013)	5,163	48	1,198

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 RMB'000	2008 RMB'000
Deferred tax assets	5,211	5,336
Deferred tax liabilities	(4,013)	(974)
	1,198	4,362

23. INVENTORIES

Inventories comprise petrol for sales, materials and spare parts for repairs and maintenance of toll roads infrastructures. All inventories are stated at cost.

24. PROPERTIES UNDER DEVELOPMENT

	2009 RMB'000	2008 RMB'000
Medium-term land use rights	—	10,443
Construction and other direct costs	36,992	96,507
	36,992	106,950

25. PROPERTIES FOR SALE

	2009 RMB'000	2008 RMB'000
Medium-term land use rights	2,861	—
Construction and other direct costs	35,186	—
	38,047	—

26. PREPAYMENTS AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Dividend receivable from an associate	—	3,000
Receivable from liquidation of a former joint venture	17,312	17,812
Receivable from disposal of property, plant and equipment	28,000	—
Prepayments (note)	1,241,573	6,860
Toll road fee	41,369	31,662
Others	35,468	19,706
	1,363,722	79,040
Less: Accumulated impairment losses	(20,650)	(21,150)
	1,343,072	57,890

Note: At 31 December 2009, included in prepayments is RMB 1,227,953,123 (2008: nil) which represents partial payments made for the acquisition of land use rights for the purpose of properties development in the PRC. The outstanding balance of RMB 209,382,600 is payable in 2010.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interest at prevailing market rate at 0.36% (2008: 0.36%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

28. OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Interest payable	34,350	86,668
Other tax payable	29,160	12,868
Payroll and welfare payable	12,204	25,644
Advance from customers	24,306	21,330
Pre-sale deposit	1,250	138,747
Others	107,840	49,107
	209,110	334,364

29. LONG-TERM BORROWINGS

	Maturity date		Effective interest rate		Carrying amount	
	2009	2008	2009	2008	2009 RMB'000	2008 RMB'000
Variable-rate						
unsecured bank loans	2009-2014	2009-2016	5.67%	5.84%	3,590,000	3,790,000
Fixed-rate						
USD denominated Spanish						
government loans (Note1)	2009-2026	2009-2026	2.00%	2.00%	32,143	33,867
long-term bond (Note 2)	2008-2011	2008-2011	5.79%	5.79%	1,093,580	1,089,811
					4,715,723	4,913,678

Note 1: The USD denominated Spanish government loans were guaranteed by the Company's parent, Jiangsu Communications Holding, which is a state-owned enterprise incorporated in the PRC.

Note 2: In the year of 2008, the Group issued long-term bond of RMB 1,100,000,000 with mature period of three years, carrying fixed interest rate at 5.40% per annum.

29. LONG-TERM BORROWINGS - continued

The maturity of the above loans is as follows:

	2009 RMB'000	2008 RMB'000
Within one year	201,692	201,693
More than one year but not exceeding two years	241,692	201,693
More than two years but not exceeding three years	1,595,271	1,331,504
More than three years but not exceeding four years	2,101,695	501,693
More than four years but not exceeding five years	551,692	2,101,695
More than five years	23,681	575,400
	4,715,723	4,913,678
Less: Amount due within one year included in current liabilities	(201,692)	(201,693)
Amount due after one year	4,514,031	4,711,985

The long-term borrowings are all variable-rate borrowings which carry interest at the rates quoted by the People's Bank of China except for long-term corporate bond and Spanish government loans with fixed interest rate.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are US\$4,707,460, equivalent to approximately RMB 32,143,000 (2008: US\$4,955,000, equivalent to approximately RMB 33,867,000).

At the end of the reporting period, the Group has the following undrawn long-term borrowings facilities:

	2009 RMB'000	2008 RMB'000
Variable rate		
- expiring beyond one year	1,510,000	11,710,000

30. SHORT-TERM BORROWINGS

	2009 RMB'000	2008 RMB'000
Unsecured bank loans	1,890,000	1,500,000
Unsecured other loans	1,185,850	150,000
Short-term bond	—	1,000,000
	3,075,850	2,650,000

The loans are unsecured and repayable within one year and arranged at fixed interest rates in the range of 4.08% to 5.31% (2008: range of 4.65% to 7.47%).

During the year of 2008, the Group issued short-term bond of RMB 1,000,000,000 which is unsecured, bears interest at 5.45% per annum and has been repaid in 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

30. SHORT-TERM BORROWINGS - continued

At the end of the reporting period, the Group has the following undrawn short-term borrowings facilities:

	2009 RMB'000	2008 RMB'000
Fixed rate		
- expiring within one year	6,167,000	1,250,000

31. SHARE CAPITAL

	31.12.2007		Transfer		31.12.2008	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
1. Restricted tradable shares	3,466,593,620	3,466,594	(71,732,200)	(71,732)	3,394,861,420	3,394,862
2. Tradable shares						
H shares	1,222,000,000	1,222,000	—	—	1,222,000,000	1,222,000
A shares	349,153,880	349,154	71,732,200	71,732	420,886,080	420,886
Total	5,037,747,500	5,037,748	—	—	5,037,747,500	5,037,748

	31.12.2008		Transfer		31.12.2009	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
1. Restricted tradable shares	3,394,861,420	3,394,862	(2,851,900)	(2,852)	3,392,009,520	3,392,010
2. Tradable shares						
H shares	1,222,000,000	1,222,000	—	—	1,222,000,000	1,222,000
A shares	420,886,080	420,886	2,851,900	2,852	423,737,980	423,738
Total	5,037,747,500	5,037,748	—	—	5,037,747,500	5,037,748

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the then shareholders of A-shares as consideration for the approval by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as A shares on 16 May 2006. After the transfer of the consideration 48,000,000 non-tradable shares, all the remaining 3,617,747,500 formerly non-tradable shares were all converted into restricted tradable shares which are subject to certain restrictions in their sale and will be transferred to the category of tradable A share upon the granting of trading status in accordance with the terms of the Share Reform Proposal. In current year, an aggregate of 2,851,900 (2008: 71,732,200) restricted tradable shares are granted trading status and included in the balance of tradable A shares at 31 December 2009.



31. SHARE CAPITAL - *continued*

Since the adoption of the Share Reform Proposal in 2006 and up to 31 December 2009, an aggregate of 225,737,980 (2008: 222,886,080) restricted tradable shares out of the total 3,617,747,500 restricted tradable shares were granted trading status and reclassified into and included as tradable A shares at 31 December 2009.

The restricted tradable shares, H shares and A shares have a par value of RMB 1 each and rank pari passu in all respects, except that ownership of restricted tradable shares are restricted to PRC legal persons, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

32. RESERVE

In accordance with the PRC Company Law and the articles of association, each of the Company and its subsidiaries registered in the PRC are required to appropriate 10% of the annual profit after taxation (after offsetting any prior years' losses), as reported under the PRC statutory financial statements to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of each entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

Title of statutory surplus reserve will remain with the respective companies comprising the Group.

Statutory surplus reserve cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

In accordance with the Company's Articles of Association, the profit after taxation for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) the HKFRS.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29 and 30, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on timely basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance it's overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	52,100	39,967
Loans and receivables (including cash and cash equivalents)	619,319	518,483
Available-for-sale financial assets, at cost	150,566	13,668
	821,985	572,118
Financial liabilities	8,062,830	7,978,637

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, other receivables, bank balances and cash, other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Certain of the Group's bank balances and long-term borrowings are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which exposes the Group to foreign currency risk attributable to the fluctuations in the exchange rates between USD/HKD and RMB, the functional currency of the respective group entities. The proportion to the Group's total assets is insignificant. Further the Group carries out majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
USD	32,143	33,867	4,421	6,463
HKD	—	—	1,055	1,077

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

(a) Foreign currency risk - continued

Foreign currency risk - Sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rates between USD/HKD and RMB.

The following table details the Company's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

	USD Impact		HKD Impact	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Increase (decrease) in profit for the year				
if RMB weakens against foreign currency	(1,386)	(1,370)	53	54
if RMB strengthens against foreign currency	1,386	1,370	(53)	(54)

(b) Interest rate risk

Interest bearing financial assets are mainly bank balances which are all short-term in nature and is therefore not exposed to significant fair value interest rate risk. The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank and long-term borrowings (refer to note 29 and 30 for details of these borrowings). In this regard, the directors of the Group consider that the Group's exposure to fair value interest rate risk is significantly reduced. The Group currently does not have an interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate long-term bank borrowings (refer to note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate long-term bank borrowings (refer to note 29 for details of these borrowings), the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by RMB17,950,000 (2008: decrease/increase by RMB 19,119,942). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

34. FINANCIAL INSTRUMENTS - *continued*

Financial risk management objectives and policies - *continued*

Market risk - *continued*

(c) Other price risk

The Group's held-for-trading investments comprise gold bullion and listed equity shares, and are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The Group established an internal investment division and a designated team is assigned to monitor closely the price movement of its investment. In this regard, the directors of the Group consider that the Group's price risk is mitigated.

Sensitivity analysis

As at 31st December 2009, if the price of the held-for-trading investments the Group holds had increased/decreased by 50%, profit for the year would have been increased/decreased by approximately RMB 26,050,232 (2008: RMB19,983,737).

Credit risk

As at 31 December 2009, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual other debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

The Group continues to raise long-term borrowings, including bonds and bank loans due after one year, to replace those short-term borrowings. As at 31 December 2009, the Group's long-term borrowings were approximately RMB 4,514,000,000 (2008: RMB 4,712,000,000).

The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn long-term and short-term borrowing facilities at 31 December 2009 of approximately RMB 7,677,000,000 (2008: RMB 12,960,000,000) (refer to notes 29 and 30) to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities of RMB 1,703,934,000 (2008: RMB 2,914,101,000) at the end of the reporting period, the Group has well managed the liquidity risk.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

34. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

(c) Other price risk - continued

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2008 RMB'000
2009								
Other payables	—	142,190	—	—	—	—	142,190	142,190
Construction cost payable	—	129,067	—	—	—	—	129,067	129,067
Long-term bonds payable	5.40	—	29,700	29,700	1,159,400	—	1,218,800	1,093,580
Bank loans								
- fixed rate	4.36	50,509	504,362	2,367,550	—	—	3,122,421	3,075,850
- variable rate	5.91	47	—	211,510	4,103,381	32,295	4,348,033	3,622,143
		522,613	534,062	2,608,760	5,262,781	32,295	8,960,511	8,062,830
2008								
Other payables	—	135,775	—	—	—	—	135,775	135,775
Construction cost payable	—	148,748	130,436	—	—	—	279,184	279,184
Long-term bonds payable	5.40	—	29,700	29,700	1,218,800	—	1,278,200	1,089,811
Bank loans								
- fixed rate	5.59	1,002,538	403,356	1,281,841	—	—	2,687,735	2,650,000
- variable rate	5.89	847	—	420,616	3,735,566	607,923	4,764,952	3,823,867
		1,287,908	563,492	1,732,157	4,954,366	607,923	9,145,846	7,978,637

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid and ask prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

35. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Commitments for:		
- acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	48,720	42,790

36. OPERATING LEASES

	2009 RMB'000	2008 RMB'000
Minimum lease payment paid under operating leases during the year	390	390

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	390	390
In the second to fifth years inclusive	195	390
Over five years	—	195
	585	975

37. OTHER COMMITMENTS

As at 31 December 2009, the Group is committed to pay in the following year to Ninglian Ningtong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000. During the year, management service charge paid amounted to RMB 6,933,886(2008: RMB 7,053,226).

38. RETIREMENT BENEFITS SCHEME

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau (the "Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2008: 21%) of the monthly salary in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

The total cost charged to the consolidated income statement of RMB 54,081,642 (2008: RMB40,866,377) represents contributions payable to these schemes by the Group in respect of the current accounting period. All the contributions had been paid over to the scheme as at 31 December 2009.

39. RELATED PARTY TRANSACTIONS

(a) During the year, the Group has the following significant transactions with the companies:

Name	Relationship	Nature of transactions	2009 RMB'000	2008 RMB'000
Jiangsu Kuailu Motor transport Co., Ltd.	Associate	Toll fee received	9,600	9,600
		Sales of petrol	22,946	35,097
Jiangsu Yangtze Bridge Co., Ltd.	Associate	Toll service expenses	1,026	1,021
Jiangsu Expressway Petroleum Development Co., Ltd.	Same parent company	Rental income received	3,001	3,218
Jiangsu Expressway Toll-network Technology Service Co., Ltd.	Investee of the company	Rental income received	4,460	1,487
		Technology advisory fee expenses	9,795	5,010
Jiangsu Sundian Engineering Co., Ltd.	Investee of the company	Rental income received	1,690	563
		Maintenance fee expenses	54,826	38,183
Jiangsu Communications Holding	Parent company	Software use fee	—	281
Jiangsu Communications Holding Group	Parent company and its associates	Gain on disposal of a subsidiary (note 8)	—	1,072
Suzhou Nanlin Hotel	Same parent company	Food and beverage expenses	128	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

39. RELATED PARTY TRANSACTIONS - *continued*

(b) At the end of the reporting period, the Group have current accounts with the following related companies:

Name	Relationship	2009 RMB'000	2008 RMB'000
Amounts due from:			
Suzhou Sujiahang Expressway Co., Ltd.	Associate	5,601	5,399
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	7,909	11,961
Jiangsu Yangtze Bridge Co., Ltd.	Associate	1,315	1,706
Jiangsu Sundian Engineering Co., Ltd.	Investee of the Company	6,161	6,269
Jiangsu Expressway Petroleum Development Co., Ltd.	Same parent company	1,586	1,355
Jiangsu Leasing Co., Ltd.	Associate	—	3,000
		22,572	29,690
Amounts due to			
Suzhou Sujiahang Expressway Co., Ltd.	Associate	1,267	803
Jiangsu Yangtze Bridge Co., Ltd.	Associate	1,493	1,470
Jiangsu Sundian Engineering Co., Ltd.	Investee of the Company	6,217	2,192
Jiangsu Expressway Toll-network Technology Service Co., Ltd.	Investee of the Company	950	1,427
Jiangsu Communications Department	Promoter	—	281
Jiangsu Far East Shipping Co., Ltd.	Same parent company	425	309
		10,352	6,482
Short term borrowings			
Jiangsu Far East Shipping Co., Ltd.	Same parent company	270,000	150,000

The balances mainly represent dividend receivable, rental receivable, receipts of toll fees collected, the deposit of petrol, expenses paid on behalf of the Group and short term borrowings, which are unsecured, interest free and repayable within one year. The above current accounts were included in other receivables, other payables and short term borrowings on the consolidated statement of financial position.

39. RELATED PARTY TRANSACTIONS - continued

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2009 RMB'000	2008 RMB'000
Short-term benefits	1,424	1,779
Post-employment benefits	108	217
	1,532	1,996

The remuneration of directors and key executives are determined by reference to the performance of individuals and market trends.

(d) Transactions and balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under Jiangsu Communications Holding which is controlled by the PRC government. Apart from the transactions with Jiangsu Communications Holding and fellow subsidiaries and other related parties disclosed above, the Group also conducts business with other state-controlled entities. The directors considered those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In view of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December 2009

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries, all of which are limited liability companies, as at 31 December 2009 and 2008 are as follows:

Name	Place of registration and operations	Paid up registered capital RMB	Proportion of registered capital held by the Company		Principal activities
			Directly	Indirectly	
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	PRC	850,000,000	85.00%	—	Construction, management and operation of expressway
Jiangsu Ninghu Investment Development Co., Ltd.	PRC	100,000,000	95.00%	—	Infrastructure and industrial investments
Kunshan Feng Yuan Real Estate Development Co., Ltd.	PRC	37,000,000	—	95%	Real estate development
Jiangsu Ninghu Properties Co., Ltd.	PRC	200,000,000	100%	—	Real estate development

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

41. COMPARATIVE FIGURES

During the year, advertising income of RMB38,376,000 and related cost of RMB13,763,000 previously included net in other income in prior year were reclassified to the Group's revenue and cost of sales in the consolidated income statement.

Company Information

(I) General information

Statutory name of the Company in Chinese and English	江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited
Abbreviation of Chinese name and English name	寧滬高速 Jiangsu Expressway
Initial registration date of the Company	1 August 1992
Place of registration	Sheng Zhou Road, Nanjing, Jiangsu Province
Latest alteration registration date of the Company	14 August 2009
Registration number of the enterprise legal person business license	320000000004194
Taxation registration number	320003134762764
Institutional code	13476276-4
Registered address and business address	6 Maqun Road, Nanjing, Jiangsu, the PRC
Postal code	210049
Website of the Company	http://www.jsexpressway.com
E-mail address of the Company	nhgs@public1.ptt.js.cn
Legal representative of the Company	Shen Chang Quan
Secretary to the Board	Yao Yong Jia
Telephone	8625-8446 9332
Securities Officers	Jiang Tao, Lou Qing
Telephone	8625-84362700-301835, 301836
Fax	8625-8446 6643
Email Address	nhgs@jsexpressway.com
Company Secretary in Hong Kong and Authorized representative under Hong Kong Company Ordinance	Lee Wai Fun, Betty Telephone: 852-2801 8008
Place of business	20th Floor, Alexandra House, 16-20 Chater Road Central, Hong Kong
Stock exchanges where the Company's shares are listed	A share Shanghai Stock Exchange Stock name of A shares: 寧滬高速 Stock code of A shares: 600377 H share The Stock Exchange of Hong Kong Limited Stock name of H shares: Jiangsu Expressway Stock code of H shares: 0177

Company Information

ADR	The United States of America Stock name of ADR: JEXWW Security United Code: 477373104
Newspapers designated for regular announcements	Shanghai Securities News, China Securities Journal
Website designated for information disclosure	www.sse.com.cn www.hkex.com.hk www.jsexpressway.com
Regular reports available at	Jiangsu Expressway Company Limited 6 Maqun Road, Nanjing, Jiangsu, the PRC Richards Butler 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong
Domestic auditors	Deloitte Touche Tohmatsu Certified Public Accountants Limited Office Address: 30th Floor, Bund Center, 222 Yan An Road East, Shanghai, the PRC
Hong Kong auditors	Deloitte Touche Tohmatsu Office Address: 35/F One Pacific Place, 88 Queensway, Hong Kong
Domestic legal advisor	C & T Partners Law Firm Office Address: 5/F, 26 Beijing West Road, Nanjing, the PRC
Hong Kong legal advisor	Richards Butler Office Address: 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong
Hong Kong investor relations consultant	Rikes Hill & Knowlton Limited Office Address: Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong Tel: 852 2520 2201 Fax: 852 2520 2241
Domestic share registrar and transfer office	China Securities Depository & Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai, the PRC
Overseas share registrar and transfer office	Computershare Hong Kong Investor Services Limited 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Documents Available for Inspection

The following documents were included:

- (1) Copies of the annual report signed by the Chairman;
- (2) Financial statements signed and sealed by the legal representative, the chief accounting officer and the person-in-charge of an accounting institution;
- (3) Original copy of the auditors' report sealed by the CPA firm, and sealed and signed by a certified accountant;
- (4) Original copies of all company documents and announcements published in the designated press by the China Securities Regulatory Commission during the reporting period.
- (5) Articles of Association of the Company;
- (6) Copies of annual reports released in other stock exchanges.

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

Shen Chang Quan

Chairman of the Board

Jiangsu Expressway Company Limited

Nanjing, the PRC

19 March 2010

Appendix

Description of the Toll Roads and Bridges

Jiangsu Section of Shanghai-Nanjing Expressway

Shanghai-Nanjing Expressway was completed and opened to traffic in September 1996. This two-way 4-lane closed-end expressway starts from Maqun of Nanjing in the west and ends at Anting of Shanghai in the east. Its trunk road is 248.21 km long and the Zhenjiang branch is 10.25 km long. The total investment in such construction amounted to RMB6,157 million. In June 2004, the Company invested approximately RMB10.54 billion in the expansion project of Shanghai-Nanjing Expressway. The full 8-lane expressway was opened to traffic in 1 January 2006. The operating period of the expanded Jiangsu section of Shanghai Nanjing Expressway is extended by 5 years to 2032. The expressway was 6 service areas and 20 tollgates.

Shanghai-Nanjing Expressway is a major part of the main trunk of the Shanghai-Chengdu National Road, as well as an important passage which facilitates the social and economic connections between mid-western and eastern China. As the main vein of Jiangsu-Shanghai traffic, Shanghai-Nanjing Expressway has been maintaining rapid growths in traffic volume and toll revenue since its opening to traffic.

The Shanghai-Nanjing Section of G312

The Shanghai-Nanjing section of G312 was initially a Class 2 Highway completed in December 1991. In June 1997, the Company invested RMB1,346 million to acquire a 15-year toll right of the section. In December 2005, the Shanghai-Nanjing section of G312 completed the 4-lane Class 1 Highway expansion and conversion project. The section starts from Dongyangfang viaduct of Nanjing in the west and ends at Anting of Shanghai in the east, measured 282km long. The whole section has tollgate and is an open-end toll highway. The Company has invested RMB2.7 billion to acquire an extended 12-year toll collection operating right upon completion of the expansion. The toll collection operating period is extended to 2024.

G312 is part of the national road from Shanghai to Huoerguosi and is primarily engaged in the inter-city and intra-city passenger and cargo traffic along the route. It is an ancillary road for Shanghai-Nanjing Expressway.

The Nanjing Section of Nanjing-Lianyungang Highway

The Nanjing Section of Nanjing-Lianyungang Highway is part of G205 and is a traditionally a trans-Yangtze Passage for passenger and cargo traffic between the north and the south. It starts from Luhe of Nanjing and ends at Tianchang of Anhui Province. It was completed and opened to traffic in September 1996. Being 29.8 km long, it is a two-way 4-lane closed-end expressway with 1 tollgate. The Company invested RMB448 million in December 1999 to acquire its 30-year toll collection operating right. The operating period is up to 2029.

Guangjing Expressway

Guangjing Expressway starts from Guanglin of Taixin in the north and ends at the northern end of Jiangyin Yangtze River Bridge in the south. It was completed and opened to traffic in September 1999. Being a two-way 6-lane closed-end expressway, it has a total length of 17.2 km, one service area and one-tollgate. Its operating period is up to 2029.

Xicheng Expressway

Xicheng Expressway starts from the southern end of Jiangyin Yangtze River Bridge in the north and ends at Qiangxiang of Wuxi in the south. It was completed and opened to traffic in September 1999. Being a two-way 6-lane closed-end expressway, it has a total length of 35km. There are one service area and four tollgates along this expressway. Its operating period is up to 2029.



Jiangyin Yangtze River Bridge

Jiangyin Yangtze River Bridge is a long span steel suspension bridge. It was completed and opened to traffic in September 1999. Having a total length of 3,071m, it is designed as a two-way 6-lane expressway with one tollgate. Its operating period is up to 2029. Jiangyin Yangtze River Bridge, together with Guangjiang Expressway and Xicheng Expressway, serve as the main parts of the national truck linking Tongjiang to Sanya, and Beijing to Shanghai, which prove to be an important link between the southern and northern parts of Jiangsu.

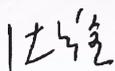
The Jiangsu Section of the Sujiahang Expressway

The Jiangsu Section of Sujiahang Expressway is a two-way 4-lane closed-end expressway. It has a total length of 100.1km which is divided into the southern section and the northern section. The southern section stretches from Suzhou to Wujiang, measuring 54.4 km long. It was completed and opened to traffic in December 2002. The northern section stretches from Changsu to Suzhou, measuring 45.7km long. It was completed and opened to traffic in November 2003. There are two service areas and ten tollgates along the Jiangsu Section of Sujiahang Expressway. It is a traffic hub between Jiangsu Province and Zhejiang Province. Its operating period is up to 2032.

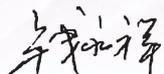
Confirmation Opinion to 2009 Annual Report by Directors and Senior Management

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 be severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

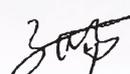
Directors



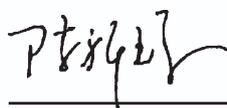
Shen Chang Quan



Qian Yong Xiang



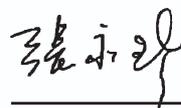
Zhang Yang



Chen Xiang Hui



Du Wen Yi



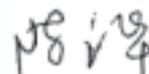
Cheng Chang Yung Tsung, Alice



Fang Hung, Kenneth



Fan Cong Lai



Chen Dong Hua



Xu Chang Xin



Gao Bo

Senior Management Members



Liu Wei



Zhao Jia Jun

Shang Hong



Tian Yafei



Yao Yong Jia

Jiangsu Expressway Company Limited

19 March 2010

