

Notes To The Accounts

1 General

Shenzhen Expressway Company Limited (the “Company”) was established as a joint stock limited company in the People’s Republic of China (the “PRC”) on 30th December 1996. The principal activities of the Company and its subsidiaries (collectively the “Group”) and its jointly controlled entities, are the development, operation and management of toll highways and expressways in the PRC.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HK GAAP”). This basis of accounting differs in certain material respects from that used in the preparation of the Group’s statutory accounts in the PRC. The PRC statutory accounts of the Group have been prepared in accordance with accounting principles and financial regulations applicable to joint stock limited companies in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with HK GAAP. Differences arising from the restatements are not incorporated in the Group’s accounting records.

The accounts are prepared under the historical cost convention as modified by the revaluation of other investments at fair value.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

In the Group's balance sheet, the investments in jointly controlled entities are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the jointly controlled entities plus any goodwill not yet amortised. The Group's share of post acquisition results of jointly controlled entities are included in the profit and loss account.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision, if necessary, for any permanent diminution in value. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries and jointly controlled entities acquired, is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life of 20 years. Any unamortised goodwill is charged to the profit and loss account upon disposal of the subsidiaries or jointly controlled entities.

(e) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation or amortisation.

Depreciation of toll roads and amortisation of land use rights in relation to toll roads are calculated to write off their cost on a units-of-usage basis whereby depreciation and amortisation are provided based on the share of actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is granted the rights to operate those roads. It is a Group policy to review regularly the projected total traffic volume throughout the operating periods of respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

Depreciation of leasehold buildings, structures and improvements is calculated to write off their cost on a straight line basis over the unexpired periods of the leases or the unexpired periods of the rights to operate relevant roads or their expected useful lives, whichever is shorter. The principal annual rates are 3% to 7%.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Equipment	
— traffic related	10%
— electronic and others	20%
Motor vehicles	17%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated in accordance with the aforementioned depreciation policy of the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. Recoverable amount is the amount which the Group

expects to recover from the future use of the asset, including its residual value on disposal. The amount of the reduction to recoverable amount is charged to the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Construction in progress

Construction in progress is stated at cost which includes development expenditure and other direct costs, including interest cost on the related borrowed funds during the construction period, attributable to the development of toll roads, buildings and structures for the Group's own use. Costs are transferred to fixed assets upon completion.

(g) Pre-operating expenses

Pre-operating expenses represent those expenses incurred by the Group in relation to its investments in toll roads during the preliminary set up period.

The Group adopted the new accounting interpretation No. 9 "Accounting for Pre-operating Costs" issued by the Hong Kong Society of Accountants commencing from accounting period on 1st January 2000. Pre-operating expenses are charged to in the profit and loss account as they incurred.

This represents a change in accounting policy as in previous years pre-operating expenses are amortised to the profit and loss account over a period of five years starting from the commencement of operations of those toll roads. This change in accounting policy applied prospectively from the financial year ended 2000 onwards. As the amount of resulting adjustments relating to periods prior to 1st January 2000 was considered by the directors to be immaterial to the Group's results, the opening retained earnings for 2000 were thus not restated.

(h) Other investments

Other investments are carried at fair value, which is calculated by reference to the respective stock exchanges quoted selling prices at the close of business on the balance sheet date. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories mainly represent materials and spare parts for the repair and maintenance of expressways, and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase.

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) Translation of foreign currencies

Transactions in foreign currencies are translated into Renminbi at exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into Renminbi at rates of exchange quoted by the People's Bank of China at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

(l) Revenue recognition

Toll revenue from operation of toll roads, net of business tax and surcharge, is recognised on a receipt basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Investment income and dividend income is recognised when the right to receive the payment is established.

(m) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are charged to the profit and loss account as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund. Details of the Group's retirement benefits are set out in note 26.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3 Turnover and revenue

Revenues recognised during the year are as follows:

	2000	1999
	RMB'000	RMB'000
Turnover		
Income from toll roads	438,723	345,108
Less: taxes related to toll income (a)	(18,268)	(3,039)
	<u>420,455</u>	<u>342,069</u>
Other revenues		
Interest income from bank deposits	12,891	36,107
Interest income from a long-term loan	19,321	14,000
Investment income from other investments	10,726	27,615
Other income	<u>2,674</u>	<u>1,135</u>
	<u>45,612</u>	<u>78,857</u>
Total revenues	<u>466,067</u>	<u>420,926</u>

(a) Taxes related to toll income comprise:

- PRC Business Tax at 5% on toll income
- City Development Tax at 1% of PRC Business Tax
- Education Supplementary Tax at 3% of PRC Business Tax

(b) No segment information is presented as all turnover of the Group is toll income derived from the PRC.

4 Operating profit

Operating profit is stated after crediting and charging the following:

	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>
Crediting		
Realised gains on disposal of other investments	10,518	26,315
Unrealised gains on other investments	208	1,300
	<u> </u>	<u> </u>
Charging		
Provision for staff welfare and bonus	5,317	6,752
Auditors' remuneration	1,000	930
Net exchange loss	648	949
	<u> </u>	<u> </u>

5 Finance costs

	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	51,627	54,025
Less: interest capitalised in construction in progress	(17,432)	(15,911)
	<u> </u>	<u> </u>
	<u>34,195</u>	<u>38,114</u>

The capitalisation rate applied to funds borrowed and used for the development of construction in progress ranged between 5.427% and 7.587% per annum.

6 Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>
PRC enterprise income tax	93	75
Share of taxation attributable to a jointly controlled entity	126	44
	<u>219</u>	<u>119</u>

- (a) The Company is subject to PRC enterprise income tax rate of 15%, the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33%. Pursuant to the approvals granted by relevant authorities, the Company, one of its subsidiaries and a jointly controlled entity are exempted from PRC enterprise income taxes for the first five years in which they record assessable profits and a 50% reduction of the PRC enterprise income taxes for the five consecutive years thereafter. As the aforementioned companies are still within the full PRC enterprise income tax exemption period, no provision for PRC enterprise income tax has been made in the accounts in respect of these entities.

The PRC enterprise income taxes charged to the consolidated profit and loss account have been calculated on the assessable profits of the other subsidiary and jointly controlled entities for the year at the rates of taxation applicable to these companies.

- (b) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax.
- (c) No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

7 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB351,323,000 (1999: RMB327,252,000).

8 Dividends

	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>
Final, proposed, of RMB0.10 (1999: RMB0.06) per ordinary share	<u>201,570</u>	<u>120,942</u>

9 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of RMB363,074,000 (1999: RMB337,704,000) and 2,015,700,000 (1999: 2,015,700,000) ordinary shares in issue during the year.

10 Directors', supervisors' and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors, supervisors and senior management during the year are as follows:

	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
As directors		
— executive	—	—
— non-executive	318	214
As supervisors	—	—
For management		
— basic salaries and allowances	1,384	621
— bonuses	302	532
— contributions to the retirement scheme	50	45
	<u>2,054</u>	<u>1,412</u>

The emoluments for all the directors (executive and non-executive) and supervisors fell within the band of RMB nil to RMB1,000,000 during the years ended 31st December 2000 and 1999.

No directors or supervisors waived emoluments in respect of the years ended 31st December 2000 and 1999.

During the years ended 31st December 2000 and 1999, no emoluments had been paid by the Group, either to the directors or supervisors, as an inducement to join or upon joining the Group or as a compensation for loss of office.

(b) Five highest paid individuals

The individuals whose emoluments were the highest in the Group for both years were either directors or supervisors, and their emoluments are reflected in the analysis presented above.

11 Fixed assets — Group

	Toll roads	Land use rights	Leasehold buildings, structures and improvements	Motor vehicles	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1st January 2000	2,791,151	493,681	141,748	12,549	95,396	3,534,525
Additions	—	—	42	595	2,527	3,164
Transfer from construction in progress (note 14)	26,358	—	—	—	—	26,358
Disposals	—	—	—	(498)	(111)	(609)
At 31st December 2000	<u>2,817,509</u>	<u>493,681</u>	<u>141,790</u>	<u>12,646</u>	<u>97,812</u>	<u>3,563,438</u>
Accumulated depreciation						
At 1st January 2000	86,456	14,131	10,592	7,226	18,987	137,392
Charge for the year	34,986	5,572	5,545	2,032	10,562	58,697
Disposals	—	—	—	(456)	(63)	(519)
At 31st December 2000	<u>121,442</u>	<u>19,703</u>	<u>16,137</u>	<u>8,802</u>	<u>29,486</u>	<u>195,570</u>
Net book value						
At 31st December 2000	<u>2,696,067</u>	<u>473,978</u>	<u>125,653</u>	<u>3,844</u>	<u>68,326</u>	<u>3,367,868</u>
At 31st December 1999	<u>2,704,695</u>	<u>479,550</u>	<u>131,156</u>	<u>5,323</u>	<u>76,409</u>	<u>3,397,133</u>

The toll roads and buildings of the Group are located in the PRC. The Group has the right to use the land on which the respective toll roads and buildings are erected for a period of 30 years from the date of establishment of the Company.

11 Fixed assets — Company

	Toll roads <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Leasehold buildings, structures and improvements <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
At 1st January 2000	1,993,103	254,098	111,985	10,873	55,425	2,425,484
Additions	—	—	42	—	1,598	1,640
Transfer from construction in progress (<i>note 14</i>)	26,358	—	—	—	—	26,358
Disposals	—	—	—	(162)	(82)	(244)
At 31st December 2000	<u>2,019,461</u>	<u>254,098</u>	<u>112,027</u>	<u>10,711</u>	<u>56,941</u>	<u>2,453,238</u>
Accumulated depreciation						
At 1st January 2000	76,323	10,317	7,352	6,285	5,803	106,080
Charge for the year	28,499	3,693	4,465	1,722	6,084	44,463
Disposals	—	—	—	(154)	(46)	(200)
At 31st December 2000	<u>104,822</u>	<u>14,010</u>	<u>11,817</u>	<u>7,853</u>	<u>11,841</u>	<u>150,343</u>
Net book value						
At 31st December 2000	<u>1,914,639</u>	<u>240,088</u>	<u>100,210</u>	<u>2,858</u>	<u>45,100</u>	<u>2,302,895</u>
At 31st December 1999	<u>1,916,780</u>	<u>243,781</u>	<u>104,633</u>	<u>4,588</u>	<u>49,622</u>	<u>2,319,404</u>

12 Interests in subsidiaries

		Company	
		2000	1999
		RMB'000	RMB'000
Unlisted investments, at cost		757,156	757,156
Advance to subsidiaries	<i>(b)</i>	310,316	321,281
		<u>1,067,472</u>	<u>1,078,437</u>

(a) The following is a list of all subsidiaries as at 31st December 2000:

Name	Place of incorporation	Principal activities and place of operation	Interest held
Shenzhen Meiguan Highway Company Limited ("Meiguan")	PRC	Construction, operation and management of Meiguan Expressway in Shenzhen, the PRC	97.75%
Shenzhen Zhengyi Advertising Company Limited ("Zhengyi")	PRC	Advertising agency	*60%

* Interests held directly by the Company

(b) The advance of RMB310,316,000 (1999: RMB320,781,000) was made to Meiguan and is unsecured, non-interest bearing and is repayable out of the funds to be generated from its toll road project.

13 Interests in jointly controlled entities

	<i>Note</i>	Group		Company	
		2000	1999	2000	1999
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments, at cost		—	—	355,660	355,660
Share of net assets other than goodwill		363,665	358,197	—	—
Goodwill on acquisition		9,060	9,060	—	—
		372,725	367,257	355,660	355,660
Advance to a jointly controlled entity	(b)	445,552	459,258	445,552	459,258
Loans to a jointly controlled entity	(c)	18,172	18,172	18,172	18,172
		836,449	844,687	819,384	833,090

- (a) The following is a list of the principal jointly controlled entities as at 31st December 2000:

Name	Place of incorporation	Principal activities and place of operation	Percentage of interest in ownership/ voting power/ profit sharing
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao")	PRC	Construction, operation and management of Jihe Expressway (East) in Shenzhen, the PRC	*55%

Changsha Shenchang Expressway Company Limited (“Shenchang”)	PRC	Construction, operation and management of Changsha Ring Road (Northwestern) in Changsha, the PRC	*51%
Shenzhen Wutongling Ropeway Company Limited (“Wutongling”)	PRC	Construction and management of a cable car project in Shenzhen, the PRC	*40%

* Interests held directly by the Company

- (b) The advance was made to Airport-Heao and is unsecured, non-interest bearing and is repayable out of the funds to be generated from its toll road project.
- (c) The loans were advanced to Wutongling and are secured by the 55% equity interest in Wutongling held by its majority shareholder and various equipment and operating facilities of Wutongling. The loans are interest bearing at bank loan interest rate prevailing in the PRC market and have no fixed terms of repayment.

In addition, the Company provides guarantees to all financing and credit facilities of Wutongling. These guarantees are secured by the 55% equity interest in Wutongling held by its majority shareholder and the equipment purchased under the above credit facilities. As at 31st December 2000, these facilities were utilised by Wutongling to the extent of RMB25,000,000 (1999: RMB25,000,000).

(d) Information on material jointly controlled entities

Financial information of Airport-Heao and Shenchang as at and for the year ended 31st December 2000 prepared under HK GAAP over which the Company has joint control is as follows:

	Airport-Heao		Shenchang	
	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
Profit and loss account				
Turnover	<u>128,956</u>	<u>96,602</u>	<u>6,230</u>	<u>1,459</u>
Operating profit before taxation	107,381	75,882	751	263
Taxation	—	—	248	87
Profit after taxation	<u>107,381</u>	<u>75,882</u>	<u>503</u>	<u>176</u>
Net assets				
Investment securities	69,467	69,467	—	—
Fixed assets	1,269,432	1,282,846	801,091	801,458
Current assets	27,133	22,129	3,242	2,932
Current liabilities	3,580	4,480	3,654	4,214
Net current assets/(liabilities)	<u>23,553</u>	<u>17,649</u>	<u>(412)</u>	<u>(1,282)</u>
Amounts due to shareholders	<u>892,060</u>	<u>908,877</u>	<u>600,679</u>	<u>600,176</u>
Net assets	<u>470,392</u>	<u>461,085</u>	<u>200,000</u>	<u>200,000</u>

14 Construction in progress

	Group		Company	
	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
At 1st January	380,770	697,516	379,074	697,516
Additions	309,501	548,602	308,014	546,906
Transfer to fixed assets (<i>note 11</i>)	(26,358)	(865,348)	(26,358)	(865,348)
At 31st December	<u>663,913</u>	<u>380,770</u>	<u>660,730</u>	<u>379,074</u>

Construction in progress mainly comprises expenditures incurred on construction of toll roads not yet completed as at 31st December 2000.

As at 31st December 2000, interest capitalised in construction in progress by both the Group and the Company amounted to RMB31,395,000 (1999: RMB13,963,000).

15 Long-term loan — Group and Company

The long-term loan of RMB306,000,000 (1999: RMB306,000,000) was advanced to Changsha Ring Road Construction and Development Co., Ltd. (“Ring Road Co.”), the joint venture partner of Shenchang, pursuant to a joint venture agreement dated 22nd July 1998. The purpose of the loan is to assist Ring Road Co. to finance part of its advance to Shenchang for construction of the underlying road project. The loan is unsecured and bearing interest at over five years’ loan interest rate quoted by the People’s Bank of China from time to time. Ring Road Co. has pledged its 49% equity interest in Shenchang to the Company to secure its payment obligations of the interest of the loan. The loan is repayable in one lump sum by setting off against the Company’s commitment to contribute the same loan amount to Shenchang in 2007.

16 Other investments — Group and Company

Other investments mainly represent government bonds listed on the Shanghai Securities and Shenzhen Stock Exchanges of the PRC. As at 31st December 2000, the market value of other investments amounted to RMB160,208,000 (1999: RMB111,100,000).

17 Amount due to a jointly controlled entity — Group and Company

The amount mainly represents toll income collected by the Group on behalf of a jointly controlled entity net of toll income collected by the jointly controlled entity on behalf of the Group. The amount is unsecured, interest free and repayable on demand.

During the year, toll income collected by the Group on behalf of the jointly controlled entity amounted to RMB53,425,000 (1999: Nil), and toll income collected by the jointly controlled entity on behalf of the Group amounted to RMB46,157,000 (1999: Nil). All toll income collected is wholly repaid to each other on a monthly basis without any handling charges.

18 Share capital

	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>
Registered, issued and fully paid of RMB1 each:		
PRC domestic capital shares	1,268,200	1,268,200
Hong Kong listed foreign shares (“H shares”)	<u>747,500</u>	<u>747,500</u>
	<u>2,015,700</u>	<u>2,015,700</u>

Pursuant to article 3 of the Company’s articles of association, the PRC domestic capital shares and H shares are all registered ordinary shares, carrying equal rights.

Pursuant to a resolution passed in the Extraordinary General Meeting of the Company held on 28th December 2000, the Board of Directors was authorised to issue a maximum of 180,000,000 ordinary shares in Renminbi (“A shares”) in the PRC before 28th December 2001, and to apply to list such shares on the Shanghai Stock Exchange. The issuance is subject to the approval of relevant government authorities. The net proceeds of the issuance will be used in the construction of new expressways in Shenzhen.

19 Reserves

Group	Capital	Statutory	Statutory	Discretionary	Retained	Total
	reserve	surplus	public	surplus	earnings	
	RMB'000	RMB'000	welfare fund	reserve	RMB'000	RMB'000
			RMB'000	RMB'000		
At 1st January 1999	1,620,881	50,098	50,098	189,975	32,010	1,943,062
Profit for the year	—	—	—	—	337,704	337,704
Transfer from/(to)						
other reserves	—	32,360	32,360	152,215	(216,935)	—
Dividends	—	—	—	—	(120,942)	(120,942)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December 1999	<u>1,620,881</u>	<u>82,458</u>	<u>82,458</u>	<u>342,190</u>	<u>31,837</u>	<u>2,159,824</u>
Company and subsidiaries	1,620,881	82,458	82,458	342,190	20,240	2,148,227
Jointly controlled entities	—	—	—	—	11,597	11,597
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December 1999	<u>1,620,881</u>	<u>82,458</u>	<u>82,458</u>	<u>342,190</u>	<u>31,837</u>	<u>2,159,824</u>
At 1st January 2000	1,620,881	82,458	82,458	342,190	31,837	2,159,824
Share of capital						
contribution from						
a minority shareholder						
of a subsidiary	900	—	—	—	—	900
Profit for the year	—	—	—	—	363,074	363,074
Transfer from/(to)						
other reserves	—	33,922	33,922	69,810	(137,654)	—
Dividends	—	—	—	—	(201,570)	(201,570)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December 2000	<u>1,621,781</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>55,687</u>	<u>2,322,228</u>
Company and subsidiaries	1,621,781	116,380	116,380	412,000	38,971	2,305,512
Jointly controlled entities	—	—	—	—	16,716	16,716
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December 2000	<u>1,621,781</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>55,687</u>	<u>2,322,228</u>

Company	Capital	Statutory	Statutory	Discretionary	Retained	Total
	reserve	surplus	public	surplus	earnings	
	RMB'000	RMB'000	welfare fund	reserve	RMB'000	RMB'000
At 1st January 1999	1,620,881	50,098	50,098	189,975	18,363	1,929,415
Profit for the year	—	—	—	—	327,252	327,252
Transfer from/(to)						
other reserves	—	32,360	32,360	152,215	(216,935)	—
Dividends	—	—	—	—	(120,942)	(120,942)
	<u>1,620,881</u>	<u>82,458</u>	<u>82,458</u>	<u>342,190</u>	<u>7,738</u>	<u>2,135,725</u>
At 31st December 1999	<u>1,620,881</u>	<u>82,458</u>	<u>82,458</u>	<u>342,190</u>	<u>7,738</u>	<u>2,135,725</u>
At 1st January 2000	1,620,881	82,458	82,458	342,190	7,738	2,135,725
Profit for the year	—	—	—	—	351,323	351,323
Transfer from/(to)						
other reserves	—	33,922	33,922	69,810	(137,654)	—
Dividends	—	—	—	—	(201,570)	(201,570)
	<u>1,620,881</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>19,837</u>	<u>2,285,478</u>
At 31st December 2000	<u>1,620,881</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>19,837</u>	<u>2,285,478</u>

(a) Pursuant to relevant PRC regulations and the articles of association of the Company, profit after taxation shall be appropriated in the following sequence:

- (i) make up accumulated losses;
- (ii) transfer 10% of the profit after taxation to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the share capital, such transfer need not be made;
- (iii) transfer 10% of the profit after taxation to the statutory public welfare fund;
- (iv) transfer to the discretionary surplus reserve an amount as may be approved by the shareholders in annual general meeting;
- (v) distribute dividends to shareholders.

The amounts of transfer to the statutory surplus reserve and statutory public welfare fund shall be based on profit after taxation in the statutory accounts of the Company prepared in accordance with PRC accounting standards.

(b) Capital reserve

Capital reserve mainly represents premium on issue of shares net of issuing expenses. According to relevant PRC regulations, capital reserve can only be used to increase share capital.

(c) Statutory surplus reserve and discretionary surplus reserve

According to relevant PRC regulations, statutory surplus reserve and discretionary surplus reserve can be used to make up losses or to increase share capital.

(d) Statutory public welfare fund

According to relevant PRC regulations, the use of the statutory public welfare fund is restricted to capital expenditures for employees welfare facilities. The statutory public welfare fund is not available for distribution to shareholders except on liquidation.

(e) Profit distributable to shareholders

Pursuant to relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated distributable profits determined according to PRC accounting standards as stated in the PRC statutory accounts and the accumulated distributable profits adjusted according to HK GAAP. In the PRC accounts as at 31st December 2000, the Company has no profit distributable to shareholders (1999: Nil).

20 Long-term liabilities — Group and Company

	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
Bank loans		
Unsecured	—	100,000
Secured	<u>600,000</u>	<u>350,000</u>
	600,000	450,000
Current portion of long-term bank loans	<u>—</u>	<u>(100,000)</u>
	600,000	350,000
Other long-term advances	<u>288,000</u>	<u>120,000</u>
	<u>888,000</u>	<u>470,000</u>

Other long-term advances were obtained from local government authorities as an inducement for the Company to participate in a toll road project. The advances are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, these advances are not repayable within five years.

The analysis of long-term liabilities is as follows:

	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
Bank loans wholly repayable within five years	600,000	450,000
Other long-term advances not wholly repayable within five years	<u>288,000</u>	<u>120,000</u>
	888,000	570,000
Current portion of long-term bank loans	<u>—</u>	<u>(100,000)</u>
	<u>888,000</u>	<u>470,000</u>

21 Borrowings

At 31st December 2000, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other long-term advances	
	2000 <i>RMB'000</i>	1999 <i>RMB\$'000</i>	2000 <i>RMB'000</i>	1999 <i>RMB\$'000</i>
Within one year	150,000	550,000	—	—
In the second year	120,000	—	—	—
In the third to fifth year	480,000	350,000	—	—
After the fifth year	—	—	288,000	120,000
Total	<u>750,000</u>	<u>900,000</u>	<u>288,000</u>	<u>120,000</u>

As at 31st December 2000, total banking facilities available to the Group amounted to RMB1,950,000,000 (1999: RMB2,100,000,000) of which the Group had utilised to the extent of bank loans of RMB750,000,000. The banking facilities are secured by the following:

- (i) A corporate guarantee provided by Meiguan; and
- (ii) Operating rights for collecting toll income from National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section).

22 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2000 <i>RMB'000</i>	1999 <i>RMB'000</i>
Operating profit	341,377	313,446
Depreciation and amortisation	58,697	46,970
Pre-operating expenses written off	2,737	647
Loss on disposal of fixed assets	22	33
Increase in inventories	(5,156)	—
Increase in other receivables, prepayments and deposits	(3,475)	(3,039)
Increase in amount due to a jointly controlled entity	11,926	—
Decrease in other payables and accrued charges	(17,489)	(16,554)
Interest income from bank deposits	(12,891)	(36,107)
Interest income from a long-term loan	(19,321)	(14,000)
Investment income from other investments	(10,518)	(27,615)
	<u>345,909</u>	<u>263,781</u>
Net cash inflow from operating activities	<u><u>345,909</u></u>	<u><u>263,781</u></u>

(b) **Analysis of changes in financing during the year**

	Share capital and capital reserve		Minority interests		Bank loans and other long-term advances	
	2000	1999	2000	1999	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1st January	3,636,581	3,636,581	33,139	—	1,020,000	350,000
Acquisition of subsidiaries	—	—	—	31,927	—	—
Capital contribution from a minority shareholder of a subsidiary	900	—	600	—	—	—
Minority interests in share of profits	—	—	2,305	1,212	—	—
Dividend paid to a minority shareholder of a subsidiary	—	—	(842)	—	—	—
New loans granted	—	—	—	—	650,000	1,134,900
New advances granted	—	—	—	—	168,000	20,000
Repayments of loans borrowed	—	—	—	—	(800,000)	(484,900)
At 31st December	<u>3,637,481</u>	<u>3,636,581</u>	<u>35,202</u>	<u>33,139</u>	<u>1,038,000</u>	<u>1,020,000</u>

23 Contingent liabilities

	<u>Group</u>		<u>Company</u>	
	2000	1999	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks in respect of bank loans granted to a jointly controlled entity	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>

24 Commitments

As at 31st December 2000, the Group and the Company had the following capital commitments for construction of expressways:

	2000	1999
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for	129,390	201,000
Authorised but not contracted for	<u>1,152,150</u>	<u>1,341,000</u>
	<u>1,281,540</u>	<u>1,542,000</u>

The jointly controlled entities had no capital commitments as at 31st December 2000.

25 Related party transactions

Save as disclosed in these accounts, the Group had not entered into any material transactions with related parties during the year.

26 Retirement benefits

The Group participates in the Shenzhen Municipal Retirement Scheme managed by Shenzhen Social Security Bureau. Pursuant to relevant provisions, the Group is required to make a monthly contribution equivalent to 12% (1999: 12%) and 7% (1999: 5%) of the monthly salary in respect of its full-time and temporary employees respectively. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations. For the year ended 31st December 2000, total contributions made in this connection amounted to RMB2,026,000 (1999: RMB2,108,500).

27 Approval of accounts

The accounts were approved by the board of directors on 18th January 2001.