

2. Principal Accounting Policies (Cont'd)

(s) Impairment of Assets

The carrying amount of an asset may not exceed its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. At the balance sheet date, whenever the carrying amount of an asset exceeds its recoverable amount, the carrying amount will be written down to recoverable amount, and an impairment loss is recognized in income statement.

Reversal of impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in income statement.

(t) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(u) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date ("adjusting events"), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(v) Changes in accounting policy

A change in accounting policy is made only if required by statute, or by an accounting standard setting body, or if the change will result in a more appropriate presentation of events or transactions in the financial statements of the Group.

A change in accounting policy is applied retrospectively unless the amount of any resulting adjustment that relates to prior years is not reasonably determinable, in which case, the change in accounting policy is applied prospectively.

3. Property, Plant and Equipment

Movements in property, plant and equipment were as follows:

Group

(RMB'000)	2000								Total
	Toll roads, structures and operating rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction-in-progress	
Cost									
Beginning of year	8,894,126	490,247	450,776	249,034	50,120	90,309	103,518	124,380	10,452,510
Additions	448,200	8,530	–	–	–	1,616	6,165	27,081	491,592
Transfer of construction-in-progress	–	911	–	47,844	39,554	–	–	(88,309)	–
Disposals	–	(38,494)	–	–	–	–	(648)	–	(39,142)
End of year	<u>9,342,326</u>	<u>461,194</u>	<u>450,776</u>	<u>296,878</u>	<u>89,674</u>	<u>91,925</u>	<u>109,035</u>	<u>63,152</u>	<u>10,904,960</u>
Accumulated depreciation									
Beginning of year	290,995	43,093	111,855	26,699	12,280	15,560	37,200	–	537,682
Charge for the year	128,386	17,058	43,593	25,040	6,251	8,082	16,415	–	244,825
Disposals	–	(3,866)	–	–	–	–	(164)	–	(4,030)
End of year	<u>419,381</u>	<u>56,285</u>	<u>155,448</u>	<u>51,739</u>	<u>18,531</u>	<u>23,642</u>	<u>53,451</u>	<u>–</u>	<u>778,477</u>
Net book value									
End of year	<u>8,922,945</u>	<u>404,909</u>	<u>295,328</u>	<u>245,139</u>	<u>71,143</u>	<u>68,283</u>	<u>55,584</u>	<u>63,152</u>	<u>10,126,483</u>
Beginning of year	<u>8,603,131</u>	<u>447,154</u>	<u>338,921</u>	<u>222,335</u>	<u>37,840</u>	<u>74,749</u>	<u>66,318</u>	<u>124,380</u>	<u>9,914,828</u>

3. Property, Plant and Equipment (Cont'd)

Group

(RMB'000)	1999								Total
	Toll roads, structures and operating rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction-in-progress	
Cost									
Beginning of year	6,640,218	400,737	374,652	116,563	32,858	83,596	91,770	1,854,680	9,595,074
Additions	–	2,210	14	9,243	3,786	6,013	6,233	830,469	857,968
Transfer of construction-in-progress	2,253,908	87,300	76,110	123,228	13,476	700	6,047	(2,560,769)	–
Disposals	–	–	–	–	–	–	(532)	–	(532)
End of year	8,894,126	490,247	450,776	249,034	50,120	90,309	103,518	124,380	10,452,510
Accumulated depreciation									
Beginning of year	183,286	28,669	73,605	13,172	8,227	8,801	22,128	–	337,888
Charge for the year	107,709	14,424	38,250	13,527	4,053	6,759	15,123	–	199,845
Disposals	–	–	–	–	–	–	(51)	–	(51)
End of year	290,995	43,093	111,855	26,699	12,280	15,560	37,200	–	537,682
Net book value									
End of year	8,603,131	447,154	338,921	222,335	37,840	74,749	66,318	124,380	9,914,828
Beginning of year	6,456,932	372,068	301,047	103,391	24,631	74,795	69,642	1,854,680	9,257,186

3. Property, Plant and Equipment (Cont'd)

Company

(RMB'000)	2000								Total
	Toll roads, structures and operating rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction-in-progress	
Cost									
Beginning of year	6,640,218	407,847	374,666	161,935	50,120	90,309	103,035	124,380	7,952,510
Additions	448,200	7,628	-	-	-	1,002	6,059	24,401	487,290
Transfer of construction-in-progress	-	280	-	47,492	39,554	-	-	(87,326)	-
Disposals	-	(38,494)	-	-	-	-	(648)	-	(39,142)
End of year	<u>7,088,418</u>	<u>377,261</u>	<u>374,666</u>	<u>209,427</u>	<u>89,674</u>	<u>91,311</u>	<u>108,446</u>	<u>61,455</u>	<u>8,400,658</u>
Accumulated depreciation									
Beginning of year	288,775	42,404	109,946	24,514	12,280	15,560	37,185	-	530,664
Charge for the year	118,825	13,113	35,926	18,076	6,251	8,079	16,413	-	216,683
Disposals	-	(3,866)	-	-	-	-	(164)	-	(4,030)
End of year	<u>407,600</u>	<u>51,651</u>	<u>145,872</u>	<u>42,590</u>	<u>18,531</u>	<u>23,639</u>	<u>53,434</u>	<u>-</u>	<u>743,317</u>
Net book value									
End of year	<u>6,680,818</u>	<u>325,610</u>	<u>228,794</u>	<u>166,837</u>	<u>71,143</u>	<u>67,672</u>	<u>55,012</u>	<u>61,455</u>	<u>7,657,341</u>
Beginning of year	<u>6,351,443</u>	<u>365,443</u>	<u>264,720</u>	<u>137,421</u>	<u>37,840</u>	<u>74,749</u>	<u>65,850</u>	<u>124,380</u>	<u>7,421,846</u>

3. Property, Plant and Equipment (Cont'd)

Company

(RMB'000)	1999								Total
	Toll roads, structures and operating rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction-in-progress	
Cost									
Beginning of year	6,640,218	400,737	374,652	116,563	32,858	83,596	91,770	98,395	7,838,789
Additions	–	2,210	14	9,244	3,786	6,013	6,232	86,754	114,253
Transfer of construction-in-progress	–	4,900	–	36,128	13,476	700	5,565	(60,769)	–
Disposals	–	–	–	–	–	–	(532)	–	(532)
End of year	<u>6,640,218</u>	<u>407,847</u>	<u>374,666</u>	<u>161,935</u>	<u>50,120</u>	<u>90,309</u>	<u>103,035</u>	<u>124,380</u>	<u>7,952,510</u>
Accumulated depreciation									
Beginning of year	183,286	28,669	73,605	13,172	8,227	8,801	22,128	–	337,888
Charge for the year	105,489	13,735	36,341	11,342	4,053	6,759	15,108	–	192,827
Disposals	–	–	–	–	–	–	(51)	–	(51)
End of year	<u>288,775</u>	<u>42,404</u>	<u>109,946</u>	<u>24,514</u>	<u>12,280</u>	<u>15,560</u>	<u>37,185</u>	<u>–</u>	<u>530,664</u>
Net book value									
End of year	<u>6,351,443</u>	<u>365,443</u>	<u>264,720</u>	<u>137,421</u>	<u>37,840</u>	<u>74,749</u>	<u>65,850</u>	<u>124,380</u>	<u>7,421,846</u>
Beginning of year	<u>6,456,932</u>	<u>372,068</u>	<u>301,047</u>	<u>103,391</u>	<u>24,631</u>	<u>74,795</u>	<u>69,642</u>	<u>98,395</u>	<u>7,500,901</u>

- (a) The Company's property interest in the six service areas along the Shanghai-Nanjing Expressway and the staff quarters were valued by an asset valuer. A valuation surplus of approximately RMB 9,122,000 was recorded as buildings in the financial statements of the Group and the Company.

In 2000, the Company disposed of its staff quarters to the Company's staff at a loss of approximately RMB 32 million, which was recorded in other operating expenses. The related remaining balance of revaluation surplus was transferred to retained profits.

3. Property, Plant and Equipment (Cont'd)

- (b) The Company's property, plant and equipment as at 31st December 1996 with a net book value of approximately RMB 6,242,781,000 were valued at approximately RMB 7,995,916,000 by a PRC asset valuer in preparation for the listing of the H shares of the Company. The surplus arising from this valuation amounting to approximately RMB1,753,135,000 was incorporated in the Group's and the Company's statutory accounts. Apart from those stated in Note 3(a), the Group's and the Company's property, plant and equipment in the financial statements prepared in conformity with IAS, are stated at historical cost. Thus, in the Group's and the Company's financial statements prepared in conformity with IAS is therefore lower than that recorded in the statutory accounts. This difference will affect the results of operations of the Group and the Company over the useful lives of the corresponding property interests in the form of higher annual and cumulative depreciation and amortization charges being reported in the statutory accounts of the Group and the Company.
- (c) On 27th June 1997, the Company acquired from the Highways Bureau of Jiangsu Province the right to operate the Nanjing-Shanghai Class 2 Highway together with the land use rights in respect thereof for a term of 15 years for a consideration of RMB 1,345,786,000.
- (d) On 28th September 1999, Guangjing Expressway and Xicheng Expressway were completed and put into use. As at 31st December 2000, the certificates of land use rights in respect of the land on which Xicheng Expressway and Guangjing Expressway are located were still being processed.
- (e) On 30th December 1999, the Company acquired from Ninglian Ningtong Management Office, the right to operate the Nanjing Section for a term of thirty years from 1st January 2000 for a consideration of RMB448,200,000.
- (f) Construction-in-progress

	2000 RMB'000	1999 RMB'000
Cost of toll road, structures and facilities and other direct costs	59,756	123,198
Borrowing costs capitalised - interest	3,396	1,182
	<u>63,152</u>	<u>124,380</u>
Average capitalization rate	<u>2%</u>	<u>1%</u>

4. Land use Rights

	The Group and the Company	
	2000 RMB'000	1999 RMB'000
Cost		
Beginning of year	1,716,088	1,716,088
Addition	—	—
End of year	1,716,088	1,716,088
Accumulated amortization		
Beginning of year	55,084	33,966
Addition	23,527	21,118
End of year	78,611	55,084
Net book value		
End of year	1,637,477	1,661,004
Beginning of year	1,661,004	1,682,122

In accordance with the "Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-Owned Land in Urban Areas", upon the expiration of the term of use, the right to use of the land and the ownership of the buildings and other attached objects on the land thereon shall be acquired by the State without compensation.

5. Investments in Subsidiaries

	Company	
	2000 RMB'000	1999 RMB'000
Investments, at cost	722,500	722,500
Share of post-acquisition profits	64,288	11,065
Amounts due from subsidiaries	1,277,370	1,277,370
	2,064,158	2,010,935

The Company's directors are of the opinion that the underlying value of the subsidiaries was not less than the Company's carrying amount of the subsidiaries as of year end.

5. Investments in Subsidiaries (Cont'd)

The amounts due from subsidiaries are unsecured, interest free and with no fixed repayment term.

Details of the Company's subsidiaries, all of which are limited liability companies, as of 31st December 2000 and 1999 were as follows:

Name of subsidiaries	Country of establishment and operation	Date of registration	Percentage of equity interest		Registered and paid-up capital		Principal activities
			2000	1999	2000	1999	
					RMB'000	RMB'000	
Jiangsu Xicheng	PRC	16th September 1997	85%	85%	600,000	600,000	Construction, management and operation of expressway
Jiangsu Guangjing	PRC	16th September 1997	85%	85%	250,000	250,000	Construction, management and operation of expressway

6. Investment in an Associate

	Group and the Company	
	2000 RMB'000	1999 RMB'000
Investment, at cost	49,900	37,863
Share of post-acquisition profits	2,294	9,528
	52,194	47,391

The Company's directors are of the opinion that the underlying value of the associate was not less than the Company's carrying amount of the associate as of year end.

6. Investment in an Associate (Cont'd)

Details of the Company's associate as at 31st December 2000 and 1999 were as follows:

Name	Country operations and date of establishment	Equity interest directly held		Registered capital		Principal activities
		by the Company				
		2000	1999	2000	1999	
				RMB'000	RMB'000	
Jiangsu Kuailu Bus Transportation Stock Co., Ltd. ("Jiangsu Kuailu") (Formerly known as Jiangsu Nanjing-Shanghai Express Bus Co., Ltd. ("Express Bus Co."))	PRC, 21st June 1996	33.2%	33.2%	150,300	107,705	Provision of passenger transportation service along the Shanghai-Nanjing Expressway

On 29th April 1998, the Company entered into a share transfer agreement with Jiangsu Provincial Automobile Transportation Company ("JPATC", one of the promoters of the Company and Express Bus Co.). Pursuant to the agreement, the Company acquired from JPATC its 15% equity interest in Express Bus Co. for a cash consideration of RMB 8,700,000. However, since JPATC was a party to a civil action regarding a guarantee given by JPATC, the 15% equity interest in Express Bus Co. was frozen by the Nanjing Intermediate People's Court (the "Court"). On 28th January 1999, the Court released the aforesaid proceeds. Accordingly, the Company's share of the registered capital in Express Bus Co. increased from RMB 23,200,000 to RMB 31,900,000.

Pursuant to the approval - Su Jiao Cai (1999) 58 issued by Jiangsu Communications Department, Express Bus Co. was authorised to increase its share capital and change its name to Jiangsu Kuailu Bus Transportation Co., Ltd. ("Kuailu Transportation"). The register capital of Kuailu Transportation increased from RMB 58,000,000 to RMB 107,705,300.

Due to the increase in the registered capital of Kuailu Transportation, the Company contributed RMB 5,963,400 to Kuailu Transportation in June 1999. The Company's share of the registered capital in Kuailu Transportation increased from RMB 31,900,000 to RMB 37,863,400. Thereafter, the Company's equity interest in Kuailu Transportation became 33.2%.

Pursuant to the approval Shuzheng Fu (1999) 139 issued by Jiangsu Provincial Government, Kuailu Transportation was converted into be a joint stock limited company and increased its share capital from RMB 107,705,300 to RMB 150,300,000. Jiangsu Kuailu issued 150,300,000 shares of RMB 1 each to its original investors based on the audited net assets as of August 31, 1999. Due to the increase in the share capital of Jiangsu Kuailu, the Company's share of registered capital in Jiangsu Kuailu increased from RMB 37,863,400 to RMB 49,899,600. The Company's equity interest in Jiangsu Kuailu remained unchanged at 33.2%.