

## 23. Related Party Transactions (Cont'd)

(ii) Jiangsu Communications Department

As at 31st December 2000, the Company had contributed approximately RMB 32,400,000 to an office building development project known as "Jiangsu Communications Building" which is controlled by the Jiangsu Communications Department. Jiangsu Communications Building Construction Office (a subordinated entity of Jiangsu Communications Department) is responsible for the construction of Jiangsu Communications Building. The development was completed in early 1998. In 1998, the Company has taken up certain floors in Jiangsu Communications Building for its own use as offices in return for its contribution. Title to these floors had not yet been transferred to the Company as at 31st December 2000.

(iii) Wuxi Expressway Command Office and Taizhou Guangjing Expressway Command Office

Pursuant to the main contractor's contracts entered into between Jiangsu Xicheng and Jiangsu Guangjing with Wuxi Expressway Command Office and Taizhou Guangjing Expressway Command Office respectively, the contractors have undertaken the construction of the Xicheng Expressway and Guangjing Expressway at a fixed cost of RMB 1,750,000,000 and RMB 750,000,000 respectively. Jiangsu Xicheng and Jiangsu Guangjing commenced operation on 28th September 1999.

(iv) Ninglian Management Office

On 8th April 1999 the Company entered into a service contract with Ninglian Management Office in respect of the daily operation of Nanjing Section. Pursuant to the service contract, Ninglian Management Office is responsible for, and provide the necessary labor and equipment to carry out toll collection and daily maintenance and repair of the Nanjing Section effective from 1st January 2000 for a term of thirty years. In return, the Company pays Ninglian Management Office a service charge at a fixed rate of 17% of the total toll collected per annum. For the year ended 31st December 2000, the service charge payable to Ninglian Management Office was approximately RMB 9,187,000.

(c) Related party balances

	<b>As at 31st December 2000 RMB'000</b>	As at 31st December 1999 RMB'000
Advances to Ninglian Management Office	800	—
Payable to Jiangsu Communications Building Construction Office	—	(373)
Service fee payable to Ninglian Management Office	<b>(3,185)</b>	—

## 24. Financial Instruments

### (a) Fair values

The following methods and assumptions were used to estimate the fair value of each major class of the Group's financial instruments for which it is practicable to estimate that value:

(i) Cash and cash equivalents

The carrying amount approximates fair value because these assets either carry a current rate of interest or have a short period of time between the origination of the cash deposits and their expected maturity.

(ii) Prepayments and other receivables, payables on construction projects, provision for taxes and other payables

The carrying amount of prepayments and other receivables, payables on construction projects, provision for taxes and other payables approximates fair value because these are subject to normal trade credit terms.

(iii) Balances with related parties

No disclosure of fair values is made for balances with related parties as it is not practicable to determine their fair values with sufficient reliability since these balances are non-interest bearing and have no fixed repayment terms.

(iv) Long-term receivable

As of 31st December 2000, the carrying amount of long-term receivable approximates fair value based on current market interest rates for comparable instruments.

(v) Borrowings

As of 31st December 2000, the carrying amount of borrowings approximates fair value based on current market interest rates for comparable instruments.

### (b) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, other current assets and long-term receivable represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk.

### (c) Interest rate risk

The interest rates and terms of repayments of long-term receivable, short-term and long-term bank borrowings are disclosed in Note 8, Note 13(a) and Note 13(b).

## 25. Commitments

The Group and the Company had capital expenditure commitments of approximately RMB 28,000,000 (which had been contracted but not provided for), mainly to upgrade the present communications, surveillance and control and toll collection system for the Shanghai-Nanjing Expressway.

## 26. Impact of IAS Adjustments on Profit after Tax and Minority Interests/ Shareholders' Equity

The Group has prepared a separate set of statutory accounts in accordance with PRC laws and financial regulations ("PRC GAAP"). Differences between PRC GAAP and IAS resulted in differences in the reported balances of shareholders' equity and profit after taxation and minority interests of the Group which are summarised and explained as follows:

	Profit after taxation and minority interests for the year ended 31st December		Shareholders' equity as at 31st December	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
As originally reported in statutory accounts	691,317	605,214	13,343,475	12,491,055
Effect of change in accounting policy in statutory accounts	170	(346)	(433)	(603)
As restated in statutory accounts	691,487	604,868	13,343,042	12,490,452
IAS adjustment:				
- Reversal of impact of change in accounting policy under statutory accounts	(603)	346	—	603
- Valuation, depreciation and amortization of property, plant and equipment	26,570	25,371	(1,648,882)	(1,675,452)
- Loss on disposal of staff quarters	(31,866)	—	(31,866)	—
- Deferred taxation	2,718	98	—	(2,718)
- Dividends proposed in subsequent period	—	—	453,397	391,020
	<u>688,306</u>	<u>630,683</u>	<u>12,115,691</u>	<u>11,203,905</u>

## 27. Subsequent Events

Pursuant to the resolution made by the Board of Directors subsequent to 31st December 2000, the Company will propose a final dividend of RMB 0.09 per share for 2000.

## 28. Change in Accounting Policy

During 2000, the Company changed its accounting policy with respect to the treatment of dividends declared after the balance sheet date. To conform to the treatment in IAS 10 "Events After the Balance Sheet Date", the Company now discloses the dividends declared after the balance sheet date as a subsequent events rather than recognising those dividends as a liability at the balance sheet date. This change in accounting policy has been accounted for retrospectively. The comparative consolidated financial statements have been restated to conform to the changed policy. The effect of the change is an increase in retained profit as at 1st January 1999, 1st January 2000 and 31st December 2000 of approximately RMB 293,265,000, RMB 391,020,000 and RMB 453,397,000.

## 29. Comparative Figures

Certain comparative's figures in the 1999 financial statements have been restated and reclassified to conform to the current year's presentation because management believes that current year's presentation is more appropriate to reflect the Group's financial position and operating results.

## 30. Approval of Financial Statements

The financial statements were approved by the board of directors on 11th April 2001.