



## 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 except that, as disclosed in note 2(g) below, other investments are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.



## 2. Principal accounting policies (Continued)

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital or paid-in capital.

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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserve and which was not previously charged or recognised in the consolidated profit and loss account.

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 for impairment losses. 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.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

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

## 2. Principal accounting policies (Continued)

### (d) Goodwill

Goodwill, which represents the excess of the cost of an acquisition over the fair values of the Group's share of the net assets of the acquired subsidiaries or jointly controlled entities at the date of acquisition, is recognised as an asset and is amortised using the straight-line method over its estimated useful life or 20 years, whichever is shorter. Any unamortised goodwill is charged to the profit and loss account upon disposal of the subsidiaries or jointly controlled entities.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

### (e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation/amortisation and accumulated impairment losses.

Depreciation of toll roads and amortisation of land use rights in relation to toll roads are calculated to write off their cost on an 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 buildings, structures and leasehold 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%.



## 2. Principal accounting policies (Continued)

### (e) Fixed assets (Continued)

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis taking into account its estimated residual value. 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 and major costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall assets are capitalised and depreciated in accordance with the aforementioned depreciation policy of the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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.

## 2. Principal accounting policies (Continued)

### (g) 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.

### (h) 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.

### (i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.



## 2. Principal accounting policies (Continued)

### (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) Other receivables

Provision is made against other receivables to the extent they are considered to be doubtful. Other receivables in the balance sheet are stated net of such provision.

### (l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

### (m) 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.

### (n) Revenue recognition

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

Construction management services income is recognised using the percentage of completion method by reference to the stage of completion of the construction. The stage of completion is measured by reference to the construction costs incurred to date as a percentage of total estimated costs.

## 2. Principal accounting policies (Continued)

### (n) Revenue recognition (Continued)

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.

Government grants in relation to subsidies for compensation of toll revenue are recognised as income over the periods for which they are intended to subsidise in accordance with the policy as stated in note 2(o).

### (o) Deferred income

Government grants provided to the Group in relation to subsidies for compensation of toll revenue of a specific toll road are deferred and amortised over a period for which the Group is granted the rights to operate such road.

The subsidies recognised in the profit and loss account for the year is calculated based on the attributable share of the total amount of the government grants intended to be compensated for the year with reference to actual traffic volume for the year and the projected total traffic volume throughout the period for which the Group is granted the rights to operate the road.

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.

### (p) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contributions retirement scheme are expensed 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 27.



## 2. Principal accounting policies (Continued)

### (q) 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.

### (r) Dividend

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 19, this change has resulted in an increase in opening retained earnings at 1st January 2001 by RMB201,570,000 (1st January 2000: RMB120,942,000) which is the reversal of the provision for 2000 (2000: provision for 1999) proposed final dividend previously recorded as a liability as at 31st December 2000 (2000: as at 31st December 1999) although not declared until after the balance sheet date.



### 3. Turnover and revenue

Revenues recognised during the year are as follows:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Turnover		
Income from toll roads	<b>516,684</b>	438,723
Less: taxes related to toll income	<b>(26,871)</b>	(18,268)
	<u><b>489,813</b></u>	<u>420,455</u>
Other revenues		
Interest income from bank deposits	<b>6,389</b>	12,891
Interest income from a long-term loan	<b>19,267</b>	19,321
Income from construction management services	<b>63,131</b>	—
Government subsidies (note 22)	<b>26,706</b>	—
Investment income from other investments	<b>11,142</b>	10,726
Others	<b>3,130</b>	2,674
	<u><b>129,765</b></u>	<u>45,612</u>
Total revenues	<u><b>619,578</b></u>	<u>466,067</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.



## NOTES TO THE ACCOUNTS

### 4. Operating profit

Operating profit is stated after crediting and charging the following:

	2001 RMB'000	2000 RMB'000
<b>Crediting</b>		
Realised gains on other investments	11,142	10,518
Unrealised gains on other investments	—	208
Net exchange gain	<u>181</u>	<u>—</u>
<b>Charging</b>		
Unrealised losses on other investments	24,220	—
Provision for staff welfare and bonus	7,246	5,317
Auditors' remuneration	1,110	1,000
Net exchange loss	—	648
Impairment of goodwill	9,060	—
Loss on disposal of interest in a subsidiary	1,035	—
Loss on disposal of fixed assets	3,206	22
Provision for doubtful debts		
— Other receivables	63	—
— Loans to a jointly controlled entity	<u>3,634</u>	<u>—</u>

### 5. Finance costs

	2001 RMB'000	2000 RMB'000
Interest on bank loans and other loans	49,207	51,627
Less: interest capitalised in construction in progress	<u>(7,560)</u>	<u>(17,432)</u>
	<u>41,647</u>	<u>34,195</u>

The capitalisation rate applied to funds borrowed and used for the development of construction in progress ranged between 5.427% and 6.03% (2000: 5.427% and 7.587%) per annum.

## 6. Taxation

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

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
PRC enterprise income tax	<b>140</b>	93
Share of taxation attributable to a jointly controlled entity	<u>—</u>	<u>126</u>
	<b><u>140</u></b>	<b><u>219</u></b>

- (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 one of its jointly controlled entities 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 rate 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 RMB415,653,000 (2000: RMB351,323,000).



## 8. Dividend

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
Final, proposed, of RMB0.10 (2000: RMB0.10) per ordinary share	<b><u>218,070</u></b>	<u>201,570</u>

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for year ended 31st December 1999 and 2000 were RMB120,942,000 and RMB201,570,000 respectively. Under the Group's new accounting policy as described in note 2(r), these have been written back against opening retained earnings as at 1st January 2000 and 2001 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 12th April 2002 the directors declared a final dividend of RMB0.10 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

## 9. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB421,336,000 (2000: RMB363,074,000) and the weighted average number of 2,024,867,000 (2000: 2,015,700,000) ordinary shares in issue during the year.

No fully diluted earnings per share is presented as the Company has no dilutive potential shares.

## 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:

	<b>2001</b>	2000
	<b>RMB'000</b>	RMB'000
As directors		
— executive	—	—
— non-executive	<b>318</b>	318
As supervisors	—	—
For management		
— basic salaries and allowances	<b>1,911</b>	1,384
— bonuses	<b>700</b>	302
— contributions to the retirement scheme	<b>71</b>	50
	<u><b>3,000</b></u>	<u>2,054</u>

The emoluments for all the directors (executive and non-executive) and supervisors fell within the band of RMB nil to RMB1,060,000 (HK\$1,000,000) during the years ended 31st December 2001 and 2000.

No directors or supervisors waived emoluments in respect of the years ended 31st December 2001 and 2000.

During the years ended 31st December 2001 and 2000, 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.

**10. Directors', supervisors' and senior management's emoluments (Continued)****(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.

**(c) Share Appreciation Right Scheme**

The Share Appreciation Right Scheme was approved at the 2000 Annual General Meeting of the Company held on 6th March 2001. The total number of rights available under the Scheme is 60,471,000. Under the Scheme, the grantees are benefited by way of exercising their rights to the extent of the higher of share price over the pre-determined exercise price of the rights and receiving a reward in the form of cash from the Company. The amounts payable to the grantees under the Scheme are expensed in the profit and loss account as staff costs.

During the year, 38,832,500 rights were granted to the directors and senior management of the Company. Such rights are exercisable after 16th March 2002 and accordingly, no provision for the related expenses were required to be made in the accounts for the current year.

**11. Fixed assets — Group**

	<b>Toll roads</b>	<b>Land use rights</b>	<b>Buildings, structures and leasehold improvements</b>	<b>Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1st January 2001	2,817,509	493,681	141,790	97,812	12,646	3,563,438
Additions	5,395	—	4,509	1,701	1,509	13,114
Transfer from construction inprogress (note 14)	850,865	—	64,210	27,256	—	942,331
Disposals	—	—	(2,782)	(8,404)	(1,105)	(12,291)
<b>At 31st December 2001</b>	<b><u>3,673,769</u></b>	<b><u>493,681</u></b>	<b><u>207,727</u></b>	<b><u>118,365</u></b>	<b><u>13,050</u></b>	<b><u>4,506,592</u></b>
Accumulated depreciation						
At 1st January 2001	121,442	19,703	16,137	29,486	8,802	195,570
Charge for the year	56,393	8,878	8,035	12,360	2,484	88,150
Disposals	—	—	(1,020)	(6,687)	(962)	(8,669)
<b>At 31st December 2001</b>	<b><u>177,835</u></b>	<b><u>28,581</u></b>	<b><u>23,152</u></b>	<b><u>35,159</u></b>	<b><u>10,324</u></b>	<b><u>275,051</u></b>
Net book value						
<b>At 31st December 2001</b>	<b><u>3,495,934</u></b>	<b><u>465,100</u></b>	<b><u>184,575</u></b>	<b><u>83,206</u></b>	<b><u>2,726</u></b>	<b><u>4,231,541</u></b>
At 31st December 2000	<u>2,696,067</u>	<u>473,978</u>	<u>125,653</u>	<u>68,326</u>	<u>3,844</u>	<u>3,367,868</u>



## 11. Fixed assets — Company

	Toll roads	Land use rights	Buildings, structures and leasehold improvements	Equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1st January 2001	2,019,461	254,098	112,027	56,941	10,711	2,453,238
Additions	5,395	—	3,759	1,488	927	11,569
Transfer from construction inprogress (note 14)	850,865	—	61,000	25,530	—	937,395
Disposals	—	—	(2,782)	(7,469)	(1,105)	(11,356)
<b>At 31st December 2001</b>	<b><u>2,875,721</u></b>	<b><u>254,098</u></b>	<b><u>174,004</u></b>	<b><u>76,490</u></b>	<b><u>10,533</u></b>	<b><u>3,390,846</u></b>
Accumulated depreciation						
At 1st January 2001	104,822	14,010	11,817	11,841	7,853	150,343
Charge for the year	40,108	4,715	6,225	7,613	2,007	60,668
Disposals	—	—	(1,020)	(5,813)	(962)	(7,795)
<b>At 31st December 2001</b>	<b><u>144,930</u></b>	<b><u>18,725</u></b>	<b><u>17,022</u></b>	<b><u>13,641</u></b>	<b><u>8,898</u></b>	<b><u>203,216</u></b>
Net book value						
<b>At 31st December 2001</b>	<b><u>2,730,791</u></b>	<b><u>235,373</u></b>	<b><u>156,982</u></b>	<b><u>62,849</u></b>	<b><u>1,635</u></b>	<b><u>3,187,630</u></b>
At 31st December 2000	1,914,639	240,088	100,210	45,100	2,858	2,302,895

- (a) 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 (Continued)

- (b) According to the Group's policy to review regularly the projected total traffic volume throughout the operating periods of respective toll roads, the Group has appointed an independent professional institution to conduct studies to revise the projected traffic volume of of respective toll roads in the Group for the remaining operating periods. Appropriate adjustments to the projected traffic volume have been made. The depreciation of toll roads and the amortisation of land use rights of the Group for the year have been calculated based on the adjusted projected traffic volume. This is a change in accounting estimate and has been applied prospectively. This change has resulted in an increase in depreciation and amortisation charge of toll roads and land use rights for the year of RMB15,408,000 and RMB2,298,000 respectively and a decrease in profit for the year of RMB17,706,000 accordingly.

## 12. Investments in subsidiaries

	Company	
	2001	2000
	RMB'000	RMB'000
Unlisted investments, at cost	718,950	718,950
Advance to a subsidiary	318,920	310,316
	<u>1,037,870</u>	<u>1,029,266</u>

- (a) The following is a list of all subsidiaries as at 31st December 2001:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held
Shenzhen Meiguan Highway Company Limited ("Meiguan")	PRC limited liability company	Construction, operation and management of Meiguan Expressway in Shenzhen, the PRC	*95%
Shenzhen Zhengyi Advertising Company Limited ("Zhengyi")	PRC limited liability company	Advertising agency	*60%

\* Interests held directly by the Company



## NOTES TO THE ACCOUNTS

### 12. Investments in subsidiaries (Continued)

- (b) Meiguan was previously 95% and 5% owned respectively by the Company and by Shenzhen Airport-Heao (Eastern Section) Expressway Company Limited ("Airport-Heao"), a 55% owned jointly controlled entity of the Company. During the year, Airport-Heao disposed of its 5% equity interest in Meiguan to Shenzhen Freeway Company Limited, the major shareholder of the Company, at a consideration of RMB75,062,000. Since then, Meiguan is a 95% directly owned subsidiary of the Company.
- (c) The advance of RMB318,920,000 (2000: RMB310,316,000) 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

	Note	Group		Company	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Unlisted investments, at cost		—	—	<b>355,660</b>	355,660
Provision for impairment	(d)	—	—	<b>(9,060)</b>	—
		—	—	<b>346,600</b>	355,660
Share of net assets other than goodwill		<b>365,459</b>	363,665	—	—
Goodwill on acquisition of a jointly controlled entity less amortisation		<b>9,060</b>	9,060	—	—
Provision for impairment	(d)	<b>(9,060)</b>	—	—	—
		<b>365,459</b>	372,725	<b>346,600</b>	355,660
Advance to a jointly controlled entity	(b)	<b>427,900</b>	483,758	<b>427,900</b>	483,758
Loans to a jointly controlled entity	(c)	<b>43,424</b>	18,172	<b>43,424</b>	18,172
Provision for doubtful debts	(d)	<b>(3,634)</b>	—	<b>(3,634)</b>	—
		<b>833,149</b>	874,655	<b>814,290</b>	857,590

### 13. Interests in jointly controlled entities (Continued)

- (a) The following is a list of the principal jointly controlled entities as at 31st December 2001:

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	*55%
Changsha Shenchang Expressway Company Limited ("Shenchang")	PRC	Construction, operation and management of Changsha Ring Road (Northwestern) in Changsha	*51%
Shenzhen Wutongling Ropeway Company Limited ("Wutongling")	PRC	Construction and management of a cable car project in Shenzhen	*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. Included in the balance was an amount of RMB25,000,000 in respect of the guaranteed banking facilities utilised by Wutongling as at 31st December 2001 and such amount was paid by the Company to the banks subsequent to the balance sheet date.



## NOTES TO THE ACCOUNTS

**13. Interests in jointly controlled entities (Continued)**

(d) During the year, Wutongling has not yet commenced operation, provision for impairment was made against goodwill on acquisition of Wutongling of RMB9,060,000, and provision for doubtful debts of RMB3,634,000 was provided in respect of loans to Wutongling.

(e) Information on material jointly controlled entities

Financial information of Airport-Heao and Shenchang as at and for the year ended 31st December 2001 prepared under HK GAAP over which the Company has joint control is as follows:

	Airport-Heao		Shenchang	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Profit and loss account				
Turnover	<b>145,704</b>	128,956	<b>6,357</b>	6,230
Operating profit/(loss)				
before taxation	<b>112,219</b>	107,381	<b>(3,273)</b>	751
Taxation	—	—	—	(248)
Profit/(loss) after taxation	<b>112,219</b>	107,381	<b>(3,273)</b>	503
Net assets				
Fixed assets	<b>1,252,153</b>	1,269,432	<b>794,225</b>	801,091
Investment securities	—	69,467	—	—
Other long-term assets	<b>43</b>	—	<b>49</b>	—
Current assets	<b>19,362</b>	27,133	<b>5,662</b>	3,242
Current liabilities	<b>(9,159)</b>	(3,580)	<b>(3,323)</b>	(3,654)
Net current assets/(liabilities)	<b>10,203</b>	23,553	<b>2,339</b>	(412)
Amounts due to owners	<b>(646,303)</b>	(892,060)	<b>(599,886)</b>	(600,679)
Net assets	<b>616,096</b>	470,392	<b>196,727</b>	200,000

**14. Construction in progress**

	Group		Company	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January	663,913	380,770	660,730	379,074
Additions	342,593	309,501	340,731	308,014
Transfer to fixed assets ( <i>note 11</i> )	(942,331)	(26,358)	(937,395)	(26,358)
At 31st December	<u>64,175</u>	<u>663,913</u>	<u>64,066</u>	<u>660,730</u>

Construction in progress mainly comprises expenditures incurred on construction of toll roads not yet completed as at 31st December 2001.

**15. Long-term loan — Group and Company**

The long-term loan of RMB306,000,000 (2000: 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**

	2001	2000
	RMB'000	RMB'000
Other investments, at fair value	<u>369,637</u>	<u>160,208</u>



## NOTES TO THE ACCOUNTS

### 16. Other investments — Group and Company (Continued)

Other investments mainly represent investments entrusted in securities companies in the PRC, two of which, Guoxin Securities Co., Ltd (“Guoxin Securities”) and China Eagle Securities Co., Ltd (“China Eagle Securities”) have related approved licences of securities business and entrusted financing in the PRC. The entrusted investments mainly comprised government bonds and equity securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange of the PRC. Details are as follows:

Securities company	Investment		Investment categories
	costs	Fair value	
	RMB'000	RMB'000	
Guoxin Securities	200,000	202,71	Government bonds
China Eagle Securities	90,000	91,571	Government bonds and equity securities
Huarong Trading (Group) Company	<u>103,857</u>	<u>75,349</u>	Equity securities
	<u>393,857</u>	<u>369,637</u>	

### 17. Amount due from/to a jointly controlled entity — Group and Company

The amount mainly represents toll income collected by the Group on behalf of Airport-Heao, 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 a monthly basis.

During the year, toll income collected by the Group on behalf of the jointly controlled entity amounted to RMB64,313,000 (2000: RMB53,425,000), and toll income collected by the jointly controlled entity on behalf of the Group amounted to RMB53,537,000 (2000: RMB46,157,000). All toll income collected is wholly repaid to each other on a monthly basis without any handling charges.

**18. Share capital**

	<b>Registered, issued and fully paid</b>				<b>Total</b>
	<b>Shares held by the State</b>	<b>Shares held by legal persons</b>	<b>PRC listed Renminbi ordinary shares ("A shares")</b>	<b>Hong Kong listed foreign shares ("H shares")</b>	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December 2000	745,780	522,420	—	747,500	2,015,700
Transfer of shares by shareholders ( <i>note (b)</i> )	(91,000)	91,000	—	—	—
Issue of shares ( <i>note (c)</i> )	—	—	165,000	—	165,000
At 31st December 2001	<u>654,780</u>	<u>613,420</u>	<u>165,000</u>	<u>747,500</u>	<u>2,180,700</u>

- (a) Pursuant to the Company's articles of association, all shares are of nominal value of RMB1 each and are all registered ordinary shares carrying equal rights.
- (b) During the year, with the approval from relevant government authorities, the state-owned shares of the Company of 91,000,000 shares held by Shenzhen Freeway Company Limited, the major shareholder of the Company, on behalf of the Ministry of Communication were converted into state-owned legal person shares which were subsequently transferred to Huajian Transportation and Economic Development Centre, a state-owned enterprise.
- (c) On 13th December 2001, 165,000,000 ordinary shares of RMB1 each ("A shares") were issued at a premium of RMB3.66 each. The amount of the proceeds in excess of the total nominal value of the shares issued, after deducting issuing expenses, has been credited to the capital reserve account of the Company. The A shares were listed on the Shanghai Stock Exchange on 25th December 2001.



## NOTES TO THE ACCOUNTS

## 19. Reserves

Group	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000	Retained earnings RMB'000
At 1st January 2000, as previously reported	1,620,881	82,458	82,458	342,190	2,127,987	31,837
Effect of adopting SSAP 9 (Revised) (note 2(r))	—	—	—	—	—	120,942
At 1st January 2000, as restated	1,620,881	82,458	82,458	342,190	2,127,987	152,779
Share of capital contribution from a minority shareholder of a subsidiary	900	—	—	—	900	—
Profit for the year	—	—	—	—	—	363,074
Transfer from/(to) other reserves	—	33,922	33,922	69,810	137,654	(137,654)
1999 final dividend paid	—	—	—	—	—	(120,942)
At 31st December 2000	<u>1,621,781</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>2,266,541</u>	<u>257,257</u>
Representing:—						
Retained earnings at 31st December 2000						55,687
2000 final dividend proposed						<u>201,570</u>
At 31st December 2000						<u>257,257</u>
Company and subsidiaries	1,621,781	116,380	116,380	412,000	2,266,541	240,541
Jointly controlled entities	—	—	—	—	—	16,716
At 31st December 2000	<u>1,621,781</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>2,266,541</u>	<u>257,257</u>



**19. Reserves (Continued)**

<b>Group</b>	<b>Capital reserve</b>	<b>Statutory surplus reserve</b>	<b>Statutory public welfare fund</b>	<b>Discretionary surplus reserve</b>	<b>Total</b>	<b>Retained earnings</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2001, as previously reported	1,621,781	116,380	116,380	412,000	2,266,541	55,687
Effect of adopting SSAP 9 (Revised) (note 2(r))	—	—	—	—	—	201,570
At 1st January 2001, as restated	1,621,781	116,380	116,380	412,000	2,266,541	257,257
Premium on issue of A shares	439,128	—	—	—	439,128	—
Profit for the year	—	—	—	—	—	421,336
Transfer from/(to) other reserves	—	40,194	40,194	41,391	121,779	(121,779)
2000 final dividends paid	—	—	—	—	—	(201,570)
<b>At 31st December 2001</b>	<b><u>2,060,909</u></b>	<b><u>156,574</u></b>	<b><u>156,574</u></b>	<b><u>453,391</u></b>	<b><u>2,827,448</u></b>	<b><u>355,244</u></b>
Representing:—						
Retained earnings at 31st December 2001						137,174
2001 final dividend proposed						218,070
<b>At 31st December 2001</b>						<b><u>355,244</u></b>
Company and subsidiaries	2,060,909	156,574	156,574	453,391	2,827,448	336,385
Jointly controlled entities	—	—	—	—	—	18,859
<b>At 31st December 2001</b>	<b><u>2,060,909</u></b>	<b><u>156,574</u></b>	<b><u>156,574</u></b>	<b><u>453,391</u></b>	<b><u>2,827,448</u></b>	<b><u>355,244</u></b>



## NOTES TO THE ACCOUNTS

## 19. Reserves (Continued)

Company	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000	Retained earnings RMB'000
At 1st January 2000, as previously reported	1,620,881	82,458	82,458	342,190	2,127,987	7,738
Effect of adopting SSAP 9 (Revised) (note 2(r))	—	—	—	—	—	120,942
At 1st January 2000, as restated	1,620,881	82,458	82,458	342,190	2,127,987	128,680
Profit for the year	—	—	—	—	—	351,323
Transfer from/(to) other reserves	—	33,922	33,922	69,810	137,654	(137,654)
1999 final dividend paid	—	—	—	—	—	(120,942)
At 31st December 2000	<u>1,620,881</u>	<u>116,380</u>	<u>116,380</u>	<u>412,000</u>	<u>2,265,641</u>	<u>221,407</u>
Representing:—						
Retained earnings at 31st December 2000						19,837
2000 final dividend proposed						201,570
At 31st December 2000						<u>221,407</u>
At 1st January 2001, as previously reported	1,620,881	116,380	116,380	412,000	2,265,641	19,837
Effect of adopting SSAP 9 (Revised) (note 2(r))	—	—	—	—	—	201,570
At 1st January 2001, as restated	1,620,881	116,380	116,380	412,000	2,265,641	221,407
Premium on issue of A shares	439,128	—	—	—	439,128	—
Profit for the year	—	—	—	—	—	415,653
Transfer from/(to) other reserves	—	40,194	40,194	41,391	121,779	(121,779)
2000 final dividend paid	—	—	—	—	—	(201,570)
<b>At 31st December 2001</b>	<u><b>2,060,009</b></u>	<u><b>156,574</b></u>	<u><b>156,574</b></u>	<u><b>453,391</b></u>	<u><b>2,826,548</b></u>	<u><b>313,711</b></u>
Representing:—						
Retained earnings at 31st December 2001						95,641
2001 final dividend proposed						218,070
<b>At 31st December 2001</b>						<u><b>313,711</b></u>

**19. Reserves (Continued)**

- (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.



## NOTES TO THE ACCOUNTS

**19. Reserves (Continued)**

- (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 2001, profit distributable to shareholders of the Company, after taking into account the final dividend declared for the year, amounted to RMB62,088,000 (2000: Nil).

**20. Long-term liabilities — Group and Company**

	Group		Company	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured	<b>650,000</b>	600,000	<b>650,000</b>	600,000
Current portion of long-term bank loans	<b>(120,000)</b>	—	<b>(120,000)</b>	—
	<b>530,000</b>	600,000	<b>530,000</b>	600,000
Other loans, secured <i>(note (a))</i>	<b>19,060</b>	—	<b>19,060</b>	—
Other long-term advances <i>(note (b))</i>	<b>94,000</b>	288,000	<b>94,000</b>	288,000
Advance from a minority shareholder of a subsidiary <i>(note (c))</i>	<b>23,881</b>	23,881	—	—
	<b>666,941</b>	911,881	<b>643,060</b>	888,000

- (a) Such loans were borrowed from the Spanish Government through the China Construction Bank and were interest bearing at a range of 1.8% to 7.17% per annum. The loans are not wholly repayable within five years and are guaranteed by Shenzhen Freeway Development Company Limited ("Shenzhen Freeway"), the major shareholder of the Company.

**20. Long-term liabilities — Group and Company (Continued)**

- (b) 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.

Such advances included an amount of RMB24,000,000 which was received by Shenzhen Freeway on behalf of the Company during the year.

- (c) The advance was granted to Meiguan, a subsidiary of the Company, by a minority shareholder of Meiguan. The advance is unsecured, non-interest bearing and is repayable out of the funds to be generated from Meiguan's toll road project.

The analysis of long-term liabilities is as follows:

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Bank loans wholly repayable within five years	650,000	600,000	650,000	600,000
Other loans not wholly repayable within five years	19,060	—	19,060	—
Other long-term advances not wholly repayable within five years	94,000	288,000	94,000	288,000
Advances from a minority shareholder not wholly repayable within five years	23,881	23,881	—	—
	<b>786,941</b>	911,881	<b>763,060</b>	888,000
Current portion of long-term bank loans	(120,000)	—	(120,000)	—
	<b>666,941</b>	911,881	<b>643,060</b>	888,000



## NOTES TO THE ACCOUNTS

### 21. Borrowings

At 31st December 2001, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans and other loans		Other long-term advances and advances from a minority shareholder	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Within one year	<b>220,000</b>	150,000	—	—
In the second year	—	120,000	—	—
In the third to fifth year	<b>530,000</b>	480,000	—	—
After the fifth year	<b>19,060</b>	—	<b>117,881</b>	311,881
Total	<b><u>769,060</u></b>	<u>750,000</u>	<b><u>117,881</u></b>	<u>311,881</u>

As at 31st December 2001, total banking facilities available to the Group amounted to RMB2,100,000,000 (2000: RMB1,950,000,000) of which the Group had utilised to the extent of bank loans of RMB750,000,000 (2000: RMB750,000,000). The banking facilities are secured by the operating rights for collecting toll income from National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section).

### 22. Deferred income — Group and Company

	Group and Company	
	2001 RMB'000	2000 RMB'000
At 1st January	—	—
Transfer from other long-term advances ( <i>note 23(b)</i> )	<b>300,000</b>	—
Government subsidy income recognised for the year ( <i>note 3</i> )	<b>(26,706)</b>	—
At 31st December	<b><u>273,294</u></b>	<u>—</u>

## 22. Deferred income — Group and Company (Continued)

Deferred income represents government grants provided to the Company in relation to subsidies for compensation of toll revenue of the Yanba Expressway Section A (the “Expressway”), as a result of the anticipated insufficient traffic volume caused by the early construction of the Expressway as requested by the Shenzhen Municipal Government to fulfil its overall town planning requirements. Pursuant to a circular No. Shenjitouzi [2001]764 issued by the Shenzhen Municipal Government dated 21st November 2001, Shenzhen Municipal Government approved the non-repayment of long-term advances totalling RMB300,000,000 previously provided to the Company, and the conversion of these advances to subsidies for compensation of toll revenue to the Company. Such government grants are recognised in the profit and loss account according to the Group’s accounting policies as shown in note 2(o) over the period for which the Company is granted the right to operate the Expressway.

## 23. Notes to the consolidated cash flow statement

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

	2001 RMB'000	2000 RMB'000
Operating profit	408,267	341,377
Depreciation and amortisation	88,150	58,697
Impairment of goodwill	9,060	—
Provision for doubtful debts	3,697	—
Pre-operating expenses written off	—	2,737
Loss on disposal of fixed assets	3,206	22
Increase in inventories	(659)	(5,156)
Decrease/(increase) in other receivables, prepayments and deposits	12,746	(3,475)
(Decrease)/increase in amount due to a jointly controlled entity	(9,962)	11,926
Increase/(decrease) in other payables and accrued charges	60,624	(17,489)
Interest income from bank deposits	(6,389)	(12,891)
Interest income from a long-term loan	(19,267)	(19,321)
Investment losses/(income) from other investments	13,078	(10,518)
Government subsidies	(26,706)	—
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>535,845</b>	<b>345,909</b>



## NOTES TO THE ACCOUNTS

## 23. Notes to the consolidated cash flow statement (Continued)

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

	Share capital and capital reserve		Minority interests		Bank loans and other long-term advances	
	2001	2000	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January	<b>3,637,481</b>	3,636,581	<b>49,527</b>	47,464	<b>1,061,881</b>	1,043,881
Issue of shares	<b>604,128</b>	—	—	—	—	—
Capital contribution from a minority shareholder of a subsidiary	—	900	—	600	—	—
Minority interests in share of profits	—	—	<b>3,129</b>	2,305	—	—
Dividend paid/payable to minority shareholders of subsidiaries	—	—	<b>(3,313)</b>	(842)	—	—
New loans granted	—	—	—	—	<b>559,060</b>	650,000
New advances granted	—	—	—	—	<b>106,000</b>	168,000
Repayments of loans borrowed	—	—	—	—	<b>(540,000)</b>	(800,000)
Transfer from other long-term advances to deferred income	—	—	—	—	<b>(300,000)</b>	—
<b>At 31st December</b>	<b><u>4,241,609</u></b>	<u>3,637,481</u>	<b><u>49,343</u></b>	<u>49,527</u>	<b><u>886,941</u></b>	<u>1,061,881</u>



**24. Contingent liabilities**

	Group		Company	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in respect of bank loans granted to Wutongling, a jointly controlled entity	—	25,000	—	25,000

The Company provides guarantees to banks in respect of bank facilities granted to Wutongling. As at 31st December 2001, these facilities were utilised by Wutongling to the extent of RMB25,000,000 (2000: RMB25,000,000). Such amount was repaid to the banks by the Company subsequent to the balance sheet date, and has been recognised as a liability as at 31st December 2001.

**25. Commitments**

As at 31st December 2001, the Group and the Company had the following capital commitments for construction of expressways:

	2001	2000
	RMB'000	RMB'000
Contracted but not provided for	311,509	129,390
Authorised but not contracted for	722,666	1,152,150
	<u>1,034,175</u>	<u>1,281,540</u>

The jointly controlled entities had no capital commitments as at 31st December 2001.

**26. Related party transactions**

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

**27. 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% and 7% respectively (2000: 12% and 7% respectively) of the monthly salary in respect of its full-time and temporary employees. 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 2001, total contributions made in this connection amounted to RMB2,662,000 (2000: RMB2,026,000).

**28. Comparative figures**

Certain comparative figures have been reclassified as to conform with current year's presentation.

**29. Approval of accounts**

The accounts were approved by the board of directors on 12th April 2002.