1. ORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Jiangsu Expressway Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 1st August, 1992 as a joint stock limited company. The Company is principally engaged in the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway ("Shanghai-Nanjing Expressway"), the Jiangsu section of the 312 National Highway (the "Nanjing-Shanghai Class 2 Highway"), Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing Section") and other toll roads in Jiangsu Province, and the provision of passenger transport services and other supporting services along the toll roads.

In June, 1997 and December, 2000, the Company issued 1,222,000,000 overseas public shares ("H shares") and 150,000,000 domestic public shares ("A shares") with a per value of RMB 1 each to its overseas and domestic investors respectively. The H shares and A shares were subsequently listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

In September, 1997, Jiangsu Xicheng Expressway Company Limited ("Jiangsu Xicheng") and Jiangsu Guangjing Expressway Company Limited ("Jiangsu Guangjing") were jointly established by the Company and Huajian Transportation Economic Development Centre. Jiangsu Xicheng and Jiangsu Guangjing are principally engaged in the construction, management and operation of Xicheng Expressway and Guangjing Expressway respectively. In September, 1999, the construction of these expressways was completed and these expressways were operational. As of 12th April, 2001, Jinagsu Xicheng took over Jiangsu Guangjing's assets and liabilities at book value and changed its name to Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng"). Jiangsu Guangjing has cancelled its legal registration.

In November, 2001, Nangjing Shuangshilou Hotel Co., Ltd. ("Shuangshilou") was jointly established by the Company and Gulou Service Company. Shuangshilou is principally engaged in the provision of Chinese food.

The Company, Guangjing Xicheng and Shuangshilou are collectively referred to as the Group.

The immediate and ultimate parent company of the Company is Jiangsu Communications Holding Company Ltd. (formerly known as Jiangsu Communication Investment Corporation), a state owned enterprise incorporated in the PRC. As of 31st December, 2001, the number of employees of the Company was 1,524 (2000: 1,561). The registered address of the Company is 69 Shigu Road Nanjing, Jiangsu, PRC.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing financial statements of the Company and of the Group are as follows:

(a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, effective as of 31st December, 2001, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They are prepared under historical cost convention, except that investment held for trading and available for sale are stated at their fair value. This basis of accounting differs from that used in the preparation of the Company's and of the Group's statutory accounts which are prepared in accordance with PRC Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises ("Statutory Accounts"). The adjustments made to conform the statutory accounts of the Group to IFRS are shown in Note 26.

(b) Basis of recognition and measurement

Effective from 1st January, 2001, the Group adopted International Accounting Standards ("IAS") 39 "Financial Instruments - Recognition and Measurement". The financial effects of the adopting IAS 39 did not have a significant effect to the opening balances to these financial statements.

(c) Measurement currency

Based on the economic substance of the underlying events and circumstances relevant to the Group, the measurement currency of the Group has been determined to be the RMB.

(d) Principles of consolidation

The consolidated financial statements of the Group include those of the Company and its subsidiaries and also incorporate the Group's interest in associates on the basis as set out in Notes 2(e) and 2(f) below.

All intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively. The purchase method of accounting is used for acquired businesses. Results of subsidiaries and associates acquired or disposed during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Subsidiaries

A subsidiary is a company in which the Company has control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

In the Company's financial statements, investments in subsidiaries are accounted for using the equity method. An assessment of investments in subsidiaries is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

(f) Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Company has significant influence. Significant influence exists when the Company has the power to participate in, but not control, the financial and operating decisions of the associate.

Investments in associates are accounted for using the equity method. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognized in prior years no longer exist.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally recognized as an expense in the period in which they are incurred. In situations where it is probable that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of properly, plant and equipment.

Depreciation of toll roads, structures and operating rights is provided for on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at an average rate of 6%, 8%, 5%, 8% and 9% per annum for Shanghai-Nanjing Expressway, Nanjing-Shanghai Class 2 Highway, Nanjing Section, Xicheng Expressway and Guangjiang Expressway will approximate the total carrying value of the toll roads, structures and operating rights at the end of the concession period (Shanghai-Nanjing Expressway: 30 years; Nanjing-Shanghai Class 2 Highway: 15 years; Nanjing Section: 30 years; Xicheng Expressway: 30 years; Guangjing Expressway: 30 years).

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) Property, plant and equipment and depreciation (Cont'd)

Depreciation of property, plant and equipment other than toll roads, structures and operating rights is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value of 3%, of each asset over its expected useful life. The expected useful lives of assets are the shorter of the expected useful lives of the assets or the remaining concession period. The expected useful lives of the assets of assets are as follows:

Buildings	30 years
Safety equipment	10 years
Communication and signalling equipment	10 years
Toll stations and ancillary equipment	8 years
Motor vehicles	8 years
Other machinery and equipment	5-8 years

The useful lives of assets and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are sold or retired, their costs and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

(h) Land use rights

Land use rights relate to the Shanghai-Nanjing Expressway are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation of land use rights are provided for on the basis of a sinking fund calculation whereby annual amortisation amounts compounded at an average rate of 6% per annum will approximate the total carrying amount of the land use rights at the end of the thirty-year concession period.

(i) Construction-in-progress

Construction-in-progress represents toll roads, structures and facilities, buildings and maintenance facilities under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to interest costs.

Construction-in-progress is not depreciated until such time as the assets are completed and put into operational use.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise, and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end.

Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. The identifiable assets and liabilities recognized upon acquisition are measured at their fair values as at that date. Any minority interest is stated at the minority's proportion of the fair value. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Amortization of goodwill is included in operating profit. Goodwill is amortized on a straight-line basis over its useful life of ten years. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

Other intangible assets

Other intangible assets are amortized on a straight-line basis over five years.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value after provision for obsolete items. Cost, calculated on the first-in first-out method basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the year in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the year in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(l) Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortized cost, after provision for impairment.

(m) Cash and cash equivalents

Cash represents cash on hand and deposits with banks (or other financial institutions) which are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(n) Investments

The Company adopted IAS 39, Financial Instruments: Recognition and Measurement on 1st January, 2001. Accordingly, investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within 12 moths of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realise them within 12 months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on remeasurement to fair value of trading investments and available-for-sale are included in the net profit or loss for the period.

Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) Taxation

The Company and its subsidiaries provide for Enterprise Income Tax ("EIT") on the basis of their statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes and after considering all available tax benefits.

Other taxes are provided in accordance with the prevailing PRC Tax regulations.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

In addition, there is no change of accounting policies as the result of the effectiveness of revised IAS 12 "Income Taxes", which is also effective from 1st January, 2001.

(p) Equity

(i) *Liabilities and equity*

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement on initial recognition.

Interest, dividends, losses and gains, relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instruments is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument is classified as equity.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Equity (Cont'd)

(ii) *Reserves*

(1) Share premium

Share premium represents premium arising from issuance of legal person shares, proceeds from the issuance of H shares and A shares in excess of their par value, net of expenses relating to the listing of the shares such as underwriting commissions, fees for professional advisors and promotional expenses, and also premium arising from the capitalisation of shareholder's loan and advances and land use rights.

(2) Revaluation reserve

The revaluation reserve arising from the valuation of the Company's property interests in six service areas and staff quarters along Shanghai - Nanjing Expressway and staff dormitory facilities resulting from the valuation carried out by the international asset valuer is recorded as revaluation reserve. Each year, the Group and the Company transfers an amount equal to the difference between the depreciation based on the revalued property, plant and equipment and that based on the historical cost of those assets, net of related deferred tax, from the revaluation reserve to retained profit.

Upon disposal of these assets in 2000, the related revaluation reserve balance has been transferred to retained profits.

(3) Statutory reserves

According to the articles of association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its net profit after tax (based on the Company's local statutory accounts) for the statutory surplus reserve fund ("SSRF") (except where the reserve balance has reached 50% of the Company's paid-up share capital), and for the statutory public welfare fund ("SPWF") at a percentage determined by the directors. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such statutory surplus reserve must be maintained at a minimum of 25 per cent. of share capital after such usage. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

The directors have resolved that the statutory public welfare fund is to be utilized to build or acquire capital items, such as dormitories and other facilities for the Company's employees, and cannot be used to pay for staff welfare expenses. Title to these capital items will remain with the Company.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(q) Minority interest

Minority interests included their proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of a subsidiary.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

(r) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized on the following bases:

(i) *Toll income*

Toll income represents mainly income from the operation of toll roads, net of revenue tax. Toll income is recognised on a receipt basis.

(ii) *Sales of petrol*

Sales of petrol are recognised when delivery has taken place and transfer of risk and rewards has been completed.

(iii) *Advertising income, emergency assistance income and sales of food and beverage ("Other Services")*

Revenue from rending other services is recognised when the services have been rended.

(iv) *Interest income*

Interest income is recognised on a time proportion basis that take into account the effective yield on the assets.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(s) Foreign currency transactions

Each entity within the group translates its foreign currency transactions and balances into its measurement currency by applying to the foreign currency amount the exchange rate between the measurement currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the income statement in the period in which they arise.

(t) Borrowings and borrowing costs

Borrowings are initially recognized at the proceeds received, net of transaction costs. They are subsequently carried at amortised costs using the effective interest rate method, the difference between net proceeds and redemption value being recognized in the net profit or loss for the period over the life of the borrowings.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and securities exchanges, and transfer taxes and duties. They do not include debt premium or discount, financing costs, or allocation of internal administrative or holding costs.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are generally expensed as incurred, except when they are directly attributable to the acquisition, construction or production of the toll roads-structures and facilities, including buildings and maintenance facilities, that necessarily takes a substantial period of time to get ready for its intended use in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(u) Pension scheme and housing policy

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are made monthly to a government agency based on 26% of the standard salary set by the provincial government, of which 20% is borne by the Company and its subsidiaries and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Company and its subsidiaries account for these contributions on an accrual basis.

Pursuant to the "Implementation Scheme for Selling Staff Quarters of the Jiangsu Province", the Group disposed of its staff quarters to the Company's staff in 2000. Since then, the Group does not hold any staff dormitories and is not required to pay monetary housing subsidies to its employees.

(v) Financial instruments

(i) *Definition*

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:

(1) cash;

(2) a contractual right to receive cash or another financial asset from another enterprise;

(3) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or

(4) an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation:

(1) to deliver cash or another financial asset to another enterprise; or

(2) to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The financial assets and financial liabilities of the Group include cash and cash equivalents, receivables, investments, payables and borrowings.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(v) Financial instruments (Cont'd)

(ii) *Recognition and measurement*

Financial assets are initially recognised at cost which is the fair value of the consideration given. They are subsequently carried at either fair value or amortised cost (using the effective interest rate method) according to IAS 39. A "regular way" purchase or sale of financial assets is recognised using trade date accounting. Gains and losses arising from changes in the fair value of those available-for-sale financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the year.

(iii) *Presentation*

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(w) Financial risk factors and financial risk management

The Group activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk.

(i) *Credit risks*

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit terms and monitoring procedures.

The carrying amounts of cash and cash equivalents, other receivables, and other current assets 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 with any single counterparty or group counterparties.

(ii) *Liquidity risks*

The group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed annual credit facilities from banks to meet its commitments over the next year in accordance with its strategic plan.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(w) Financial risk factors and financial risk management (Cont'd)

(iii) *Interest rate risk*

The interest rates and terms of repayments of short-term and long-term borrowings are disclosed in Note 14(a) and Note 14(b).

The Group's income and operating cash flows are substantially independent of changes in market interest rate prices.

(iv) *Foreign exchange risk*

The Group has no significant foreign exchange risk due to limited foreign currency transactions.

(x) Fair value estimation

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-trading financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date as follows:

(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) *Other receivables, payables on construction projects, other payables and dividends payable*

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

(iii) *Balances with related parties*

Carrying values are disclosed as fair values 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 and borrowings*

As of 31st December, 2001, the carrying amount of long-term receivable and borrowings approximates fair value based on current market interest rates for comparable instruments.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(y) Impairment of assets

Property, plant and equipment, land use rights, intangible assets and investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income statement for items of property, plant and equipment, intangible assets and investments in associates. 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in income.

Financial instruments are also reviewed for impairment at each balance sheet date. For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of loans, receivables or held-to-maturity investments, an impairment or bad debt loss is recognised in the income statement. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

Impairment of a financial asset carried at amortised cost is measured using the financial instrument's original effective rate and not current market interest rates.

(z) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(aa) 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.

(bb) 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.

(cc) 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)	2001									2000
	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	Total	Total
Cost										
Beginning of year	9,342,326	461,194	450,776	296,878	89,674	91,925	109,035	63,152	10,904,960	10,452,510
Additions	—	1,255	238	350	2,494	304	9,425	54,513	68,579	491,592
Transfer of construction-in-progress	—	3,284	—	47,342	35,621	9,733	8,246	(104,226)	—	—
Reclassification	—	—	—	(3,421)	—	4,176	(755)	—	—	—
Disposals	—	(7,835)	—	—	(5,040)	(1,436)	(187)	—	(14,498)	(39,142)
End of year	9,342,326	457,898	451,014	341,149	122,749	104,702	125,764	13,439	10,959,041	10,904,960
Accumulated depreciation										
Beginning of year	419,381	56,285	155,448	51,739	18,531	23,642	53,451	—	778,477	537,682
Charge for the year	142,062	14,419	43,301	37,249	15,549	9,152	16,561	—	278,293	244,825
Reclassification	—	—	—	(946)	—	1,036	(90)	—	—	—
Disposals	—	—	—	—	—	(815)	(105)	—	(920)	(4,030)
End of year	561,443	70,704	198,749	88,042	34,080	33,015	69,817	—	1,055,850	778,477
Net book value										
End of year	8,780,883	387,194	252,265	253,107	88,669	71,687	55,947	13,439	9,903,191	10,126,483
Beginning of year	8,922,945	404,909	295,328	245,139	71,143	68,283	55,584	63,152	10,126,483	9,914,828

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Company

(RMB'000)	2001									2000
	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	Total	Total
Cost										
Beginning of year	7,088,418	377,261	374,666	209,427	89,674	91,311	108,446	61,455	8,400,658	7,952,510
Additions	—	—	—	—	2,494	—	4,509	44,941	51,944	487,290
Transfer of construction-in-progress	—	3,284	—	47,342	35,621	9,733	7,291	(103,271)	—	—
Disposals	—	(7,835)	—	—	(5,040)	(1,436)	(187)	—	(14,498)	(39,142)
End of year	7,088,418	372,710	374,666	256,769	122,749	99,608	120,059	3,125	8,438,104	8,400,658
Accumulated depreciation										
Beginning of year	407,600	51,651	145,872	42,590	18,531	23,639	53,434	—	743,317	530,664
Charge for the year	128,685	11,755	35,926	28,231	15,549	8,910	16,311	—	245,367	216,683
Disposals	—	—	—	—	—	(815)	(105)	—	(920)	(4,030)
End of year	536,285	63,406	181,798	70,821	34,080	31,734	69,640	—	987,764	743,317
Net book value										
End of year	6,552,133	309,304	192,868	185,948	88,669	67,874	50,419	3,125	7,450,340	7,657,341
Beginning of year	6,680,818	325,610	228,794	166,837	71,143	67,672	55,012	61,455	7,657,341	7,421,846

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(a) On 31st March, 1997, the Company's property interest in the six service areas along the Shanghai-Nanjing Expressway and the staff quarters were valued by Sallmanns (FAR EAST) Limited. The appraisal company, determined the fair value of the property interest based on their open market value as at 31st March, 1997. A valuation surplus of approximately RMB 9,122,000 was recorded as buildings in the financial statements of the Group and the Company. These assets are considered as a separate class of properties and were last revalued in 1997.

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. Accordingly, no property, plant and equipment was carried at revalued amount.

4. LAND USE RIGHTS

	Group and Company	
	2001	2000
	RMB'000	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	**78,611**	55,084
Addition	**27,221**	23,527
Net book value		
End of year	**1,610,256**	1,637,477
Beginning of year	**1,637,477**	1,661,004

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 AND LONG-TERM AMOUNTS DUE FROM SUBSIDIARIES

	Group and Company	
	2001	2000
	RMB'000	RMB'000
Investments, at cost	**723,460**	722,500
Share of post-acquisition profits	**48,098**	64,288
	771,558	786,788
Long-term amounts due from subsidiaries	**1,398,242**	1,277,370

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

Details of the Company's subsidiaries as of 31st December, 2001 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
			2001	2000	**2001**	2000	
					RMB'000	RMB'000	
Guangjing Xicheng (Formerly known as Jiangsu Xicheng)	PRC	16th September, 1997	**85%**	85%	**850,000**	600,000	Construction, management and operation of expressway
Shuangshilou	PRC	7th November, 2001	**95.05%**	—	**1,010**	—	Provision of Chinese food

On 12th April, 2001, Jiangsu Xicheng took over Jiangsu Guangjing's assets and liabilities at their carrying amount and changed its name to Guangjing Xicheng. Jiangsu Guangjing subsequently cancelled its registration.

6. INVESTMENT IN ASSOCIATES AND AMOUNTS DUE FROM THE ASSOCIATES

	Group and Company	
	2001	2000
	RMB'000	RMB'000
Investment, at cost	**681,059**	49,900
Share of post-acquisition profits	**21,113**	2,294
	702,172	52,194
Amounts due from the associates	**997**	—

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

Details of the Company's associate as at 31st December, 2001 was as follows:

Name	Country operations and date of establishment	Equity interest directly held by the Company		Registered capital		Principal activities
		2001	2000	**2001**	2000	
				RMB'000	RMB'000	
Jiangsu Kuailu Bus Transportation Stock Co., Ltd. ("Jiangsu Kuailu") (Formerly known as Jingsu Kuailu Bus Transportation Co., Ltd. ("Kuailu Transportation"))	PRC, 21st June, 1996	**33.2%**	33.2%	**150,300**	107,705	Provision of passenger transportation service along the Shanghai- Nanjing Expressway
Jiangsu Yangzte Bridge Co., Ltd. ("Yangzte Bridge")	PRC, 31st December, 1992	**26.66%**	17.83%	**2,137,248**	2,137,248	Investment, construction, operation and management of Jiangjin Yangtze River Bridge

6. INVESTMENT IN ASSOCIATES AND AMOUNTS DUE FROM THE ASSOCIATES (Cont'd)

(a) Jiangsu Kuailu

Pursuant to the approval Suzheng Fu (1999) 139 issued by Jiangsu Provincial Government, Kuailu Transportation was converted into a joint stock limited company, changed its name into Jiangsu Kualiu 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 31st August, 1999. Due to the increase in the share capital of Jiangsu Kuailu, the Company's share of registered capital in Jiangsu Kuailu has changed to RMB 49,899,600. The Company's equity interest in Jiangsu Kuailu is 33.2%.

(b) Yangtze Bridge

Pursuant to an agreement dated 8th April, 1999 between Jiangsu Communications Investment Corporation and the Company, on 29th December, 2000, the Company acquired from Jiangsu Communications Holding Company Ltd. (formerly known as Jiangsu Communications Investment Corporation) its 17.83% of the registered capital representing 381,185,660 shares in Jiangsu Yangtze Bridge Company Limited ("Yangtze Bridge Co.") at a cash consideration of RMB 472,670,218. Following the acquisition, the Company's interest in Yangtze Bridge Co. was increased to 26.66%.

Pursuant to an agreement dated 4th September, 2001 between National Communications Investment Enterprise Company ("NCIE") and the Company, the Company acquired approximately 8.83% of the registered capital representing 188,650,000 shares in Yangtze Bridge Co. from NCIE at a cash consideration of RMB 244,189,503. Following the acquisition, the Company's interest in Yangtze Bridge was increased to 26.66%.

7. LONG-TERM RECEIVABLE

(a) On 25th December, 1998, the Company formed a joint venture named Jiangsu Yicao Highway Co., Ltd. ("Yicao Highway Co.") with Yixing Communications Construction and Development Co., Ltd. ("Yixing Communications Construction Co."). The joint venture period is 10 years from 25th December, 1998. Yicao Highway Co. is principally engaged in the construction, operation and management of highway linking Yixing and Caoqiao. The registered capital of Yicao Highway Co. is RMB120 million. The Company and Yixing Communications Construction Co. have contributed RMB 58,800,000 and RMB 61,200,000, representing 49% and 51% respectively of the registered capital of Yicao Highway Co..

Pursuant to the supplementary operating agreement dated 31st December, 1998, apart from the capital contribution of RMB 58,800,000, the Company is required to provide an additional RMB117,600,000 as a construction loan. As at 31st December, 2000, the Company had contributed an aggregate amount of RMB 100,000,000 to Yicao Highway Co. in the form of capital and construction loan. According to the aforesaid agreement, Yixing Communications Construction Co. is authorized by the Company to be solely responsible for the operation and management of Yicao Highway Co. In addition, Yixing Communications Construction Co. shall pay the Company a fixed annual investment return of 17.8% during the operating period of Yicao Highway Co. from 1999. Yixing Investment Corporation, a controlling shareholder of Yixing Communications Construction Co., has guaranteed the payment of the aforesaid investment return. At the end of the operation period, the Company will not be entitled to any further distribution.

Pursuant to the aforesaid agreement, for the year 2001, the Company is entitled to a fixed annual investment return of approximately RMB 17,800,000, of which receipt of capital and construction loan was RMB 7,049,750 (2000: RMB 6,283,200) and interest income was RMB 10,750,250. (2000: 11,516,800). The effective interest rate of the long-term receivable is 12.2% (2000: 12.2%).

(b) Long-term receivable are receivable in the following periods

	2001	2000
	RMB'000	RMB'000
Amounts receivable within a period		
- not exceeding one year	**7,910**	7,050
- more than one year but not exceeding two years	**42,540**	37,915
- more than two years but not exceeding five years	**30,617**	43,152
- more than five years	**—**	—
	81,067	88,117

8. INTANGIBLE ASSETS

The Group and Company

	2001		
	Goodwill	Others	Total
	RMB'000	RMB'000	RMB'000
Cost			
Beginning of year	—	39,406	39,406
Addition from acquisition of an associate	85,700	—	85,700
End of year	85,700	39,406	125,106
Accumulated amortisation			
Beginning of year	—	36,218	36,218
Charge for the year	6,545	3,188	9,733
End of year	6,545	39,406	45,951
Net book value			
End of year	79,155	—	79,155
Beginning of year	—	3,188	3,188

8. INTANGIBLE ASSETS (Cont'd)

The Group and Company

	2000		
	Goodwill	Others	Total
	RMB'000	RMB'000	RMB'000
Cost			
Beginning of year	—	39,406	39,406
Addition from acquisition of an associate	—	—	—
End of year	—	39,406	39,406
Accumulated amortisation			
Beginning of year	—	28,415	28,415
Charge for the year	—	7,803	7,803
End of year	—	36,218	36,218
Net book value			
End of year	—	3,188	3,188
Beginning of year	—	10,991	10,991

The amortization of goodwill and other intangible assets was charged to the share of profit from associates and operating cost respectively.

9. PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest receivable	**543**	4,498	**543**	4,498
Due from Yixing Communications Construction Co.	**11,800**	17,800	**11,800**	17,800
Prepayment for materials and equipment	**8,859**	3,695	**7,258**	3,365
Others	**35,413**	16,238	**32,036**	14,543
	56,615	42,231	**51,637**	40,206

10. SHORT-TERM INVESTMENTS

	2001	2000
	RMB'000	RMB'000
Held-to-maturity investment - current (not exceeding 1 year)	107,077	—
Trading investments	9,234	—
	116,311	—

Current held-to-maturity investment represented entrusted investment in government bonds and securities at Guotong Securities Co. with a fixed return rate of 9% per annum. The investment was fully redeemed in March, 2002.

Trading investments mostly comprised listed securities which were traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. They are valued at market value at the close of business on 29th December, 2001 (last market open day in 2001) by reference to Stock Exchange quoted bid prices. Short-term investments are expected to be realised within 12 months of the balance sheet date.

11. CASH ON HAND AND BANK DEPOSITS

	The Group		The Company	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	219	257	242	18
Savings deposits	650,744	681,923	547,535	653,164
Fixed deposits	124,660	288,813	94,660	208,813
	775,623	970,993	642,437	861,995

Fixed deposits were placed for a period not longer than twelve months and bore interest at commercial rates.

12. SHARE CAPITAL

As at 31st December 2001, the authorised, issued and fully paid share capital of the Company is RMB 5,037,747,500 (2000: RMB 5,037,747,500) divided into 5,037,747,500 shares (2000: 5,037,747,500 shares) with a par value of RMB 1 each. State shares, state legal person shares, legal person shares, H shares and A shares rank pari passu in all respects, except that ownership of state-owned shares, state legal person shares and legal person shares are restricted to PRC legal persons, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

As of 31st December of 2001 and 2000, share capital was as follows:

	2001		2000	
	Number of Shares	**Amount**	Number of Shares	Amount
		RMB'000		RMB'000
State shares	**2,781,743,600**	**2,781,744**	2,781,743,600	2,781,744
State legal person shares	**599,471,000**	**599,471**	599,471,000	599,471
Legal person shares	**284,532,900**	**284,533**	284,532,900	284,533
H shares	**1,222,000,000**	**1,222,000**	1,222,000,000	1,222,000
A shares	**150,000,000**	**150,000**	150,000,000	150,000
Total	**5,037,747,500**	**5,037,748**	5,037,747,500	5,037,748

(a) On 23rd June, 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited on 27th June, 1997 with a par value of RMB 1 each at an issue price of HKD3.11 (RMB 3.33) per share.

(b) On 22nd December, 2000, the Company obtained approval from the China Securities Regulatory Commission, and issued 150,000,000 A shares of par value of RMB 1 each to domestic public investors at an issue price of RMB 4.20. The total proceeds from the issuance of A shares, net of expenses related to the listing of the shares amounted to RMB 614,500,000. The A shares were subsequently listed on the Shanghai Stock Exchange on 16th January, 2001.

13. RESERVES

(a) For the year ended 31st December, 2001, the directors proposed appropriations of 10% and 5% (2000: 10% and 5%) of net profit after tax, determined under PRC accounting standards, approximately RMB 78,086,000 and 39,043,000 (2000: RMB 69,088,000 and 34,544,000), to the statutory surplus reserve fund and statutory public welfare fund respectively.

13. RESERVES (Cont'd)

(b) According to the Articles of Association of the Company, the profit available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under IFRS. As of 31st December, 2001, the profit available for distribution was approximately RMB 1,115,370,000 (2000: RMB 915,928,000).

14. BORROWINGS

(a) Short-term borrowings

Short-term borrowings are unsecured and repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China. The interest rates related to borrowings outstanding as at 31st December, 2001 were 5.58% per annum (2000: 5.58% and 5.85%).

(b) Long-term borrowings

All long-term borrowings were guaranteed by Jiangsu Communications Holding Company Ltd. and comprised as follows:

	Interest rate	2001	2000
		RMB'000	RMB'000
Long-term borrowings			
- USD denominated Spain Government Loans with maturities 2007 - 2026	1% per annum (2000: 1%)	31,494	26,064
- USD denominated buyer's credit loans with maturities 2001 - 2006	6.77% per annum (2000: 6.77%)	23,522	20,659
Less: Amount repayable within one year		(4,703)	(3,437)
Long-term portion		50,313	43,286

The Group and the Company had aggregate banking facilities of approximately United States Dollar ("USD") 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. Unused facilities as at 31st December, 2001 amounted to approximately USD 2,192,000 (RMB equivalent 18,142,000) (2000: USD 3,741,000, RMB equivalent 30,979,000). These facilities were guaranteed by Jiangsu Communications Holding Company Ltd..

14. BORROWINGS (cont'd)

(c) Long-term borrowings are repayable in the following periods

	2001	2000
	RMB'000	RMB'000
Amount repayable within a period		
- not exceeding one year	4,703	3,437
- more than one year but not exceeding two years	4,703	3,437
- more than two years but not exceeding five years	14,109	10,311
- more than five years	31,501	29,538
	55,016	46,723
Less: current portion of long-term borrowings	(4,703)	(3,437)
	50,313	43,286

15. DEFERRED TAX LIABILITIES

Components of deferred tax liabilities are as follows:

	2001	2000
	RMB'000	RMB'000
Land use rights (a)	12,184	—
Held-to-maturity investment (b)	2,167	—
Revaluation on the Company's property interest (c)	—	—
Total	14,351	—

Deferred tax liabilities arise on the above in following circumstance:

(a) Land use rights

Straight line method on amortization of land use rights for tax, which was effective from 1st January, 2001, lead to tax bases lower than carrying amounts.

(b) Held-to-maturity investment

Held-to-maturity investment had carrying amounts higher than tax bases due to the recognisation of investment income by using the effective interest rate method.

15. DEFERRED TAX LIABILITIES (cont'd)

(c) Revaluation on the Company's property interest

The Company recognised a deferred tax liability arising from valuation surplus of the Company's property interests. The deferred tax liability of approximately RMB 3,011,000 relating to this temporary difference has been recognised with a corresponding adjustment to revaluation surplus reserve where the difference was originally reflected.

As the Company disposed of its staff quarters to the Company's staff in 2000, the related deferred taxation and revaluation surplus reserve were transferred to the income statement and retained profits accordingly.

Movements in deferred tax liabilities were as follows:

	2001 Beginning of year RMB'000	2001 Recognized in income RMB'000	2001 End of year RMB'000
Land use rights	—	12,184	12,184
Held-to-maturity investment	—	2,167	2,167
	—	14,351	14,351

	2000 Beginning of year RMB'000	2000 Recognized in income RMB'000	2000 End of year RMB'000
Revaluation on the Company's property interest	2,718	(2,718)	—

16. REVENUE

	2001	2000
	RMB'000	RMB'000
Revenue		
- Toll income	**1,625,992**	1,381,696
- Sales of petrol	**157,424**	148,288
- Sales of food and beverage	**85,195**	61,913
- Emergency assistance income	**27,997**	16,592
- Advertising income	**23,173**	11,148
	1,919,781	1,619,637
Less: Tax related to revenue	**(90,229)**	(76,685)
Revenue, net	**1,829,552**	1,542,952

Tax related to revenue comprises Business Tax ("BT") and other ancillary taxes. The Company and its subsidiaries are subject to BT at the rate of 5% of toll income, emergency assistance income, advertising income and sales of food and beverage.

In addition to BT, the Company and its subsidiaries are subject to the following types of taxes related to revenue:

- City Development Tax, levied at 7% of BT and net VAT.

- Education Supplementary Tax, levied at 4% of BT and net VAT.

The Company and its subsidiaries are also subject to Value-added Tax ("VAT") on sales of petrol, which is charged at a general rate of 17%. An input credit is available whereby VAT previously paid on purchases of petrol or other materials can be used to offset against the VAT on sales of petrol or other materials to arrive at the net VAT payable to relevant government authorities.

17. FINANCE INCOME (COST)

	2001	2000
	RMB'000	RMB'000
Interest income	33,736	26,536
Interest expense:		
- Bank loans	(20,287)	(43,705)
- Debentures	—	(5,500)
Less: Amounts capitalised in property, plant and equipment	1,223	2,214
	(19,064)	(46,991)
Change in fair values of trading investments	(766)	—
Total interest expense	13,906	(20,455)

The average capitalization rate is 2% in 2001 (2000: 2%).

18. PROFIT BEFORE TAXATION AND MINORITY INTERESTS

(a) Profit before taxation and minority interests in the consolidated income statements was arrived at after (crediting) charging the following items

	2001	2000
	RMB'000	RMB'000
After crediting:		
Gain on disposal of short-term investment	(10,976)	(13,360)
Interest income		
- Bank deposits	(15,909)	(15,019)
- Long-term receivable	(10,750)	(11,517)
- Held-to-maturity investment	(7,077)	—
	(33,736)	(26,536)
After charging:		
Interest expenses		
- on bank loans	20,287	43,705
- on debentures	—	5,500
	20,287	49,205
Less: Amounts capitalised in property, plant and equipment	(1,223)	(2,214)
Finance cost	19,064	46,991
Staff costs		
- salaries and wages including directors', supervisors' and senior executives' remuneration	91,809	65,638
- provision for staff and workers' bonus and welfare fund	9,282	8,975
- contribution to pension scheme (Note 2(u))	10,848	9,692
Depreciation of property, plant and equipment	278,293	244,825
Amortization of land use rights	27,221	23,527
Amortization of intangible assets	9,733	7,803
Provision for bad and doubtful debts	630	433
Auditor's remuneration	1,250	1,250
Loss on disposal of staff quarters	—	31,866

(b) Sale of staff quarters

Pursuant to the "Implementation Scheme for Selling Staff Quarters of the Jiangsu Province", the Company disposed of its staff quarters to the Company's staff in 2000. A loss of approximately RMB 32 million was recognized in the income statement.

19. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors' and supervisors' emoluments were:

	2001	2000
	RMB'000	RMB'000
Fees for executive directors	1,110	1,120
Fees for non-executive directors	220	220
Fees for supervisors	570	570
Other emoluments for executive directors		
- Basic salaries and allowances	220	220
- Bonus	—	—
Other emoluments for non-executive directors	—	—
Other emoluments for supervisors	—	—
	2,120	2,130

No directors and supervisors waived any emoluments during each of the two years ended 31st December, 2001 and 2000.

(b) Details of emoluments paid to the five highest paid individuals (including directors, supervisors and employees) were:

	2001	2000
	RMB'000	RMB'000
Basic salaries and allowances	640	650
Bonus	—	—
	640	650
Number of directors	4	4
Number of supervisors	1	1
Number of senior executives	—	—
	5	5

All five highest paid individuals were directors and supervisor of the Company, their emoluments have been included in Note 19(a). The emoluments paid to each of the five highest paid individuals during the years ended 31st December, 2001 were less than RMB1,000,000. During the year ended 31st December, 2001, no emoluments were paid to the five highest paid individuals as an inducement to join the Company or as compensation for loss of office.

20. INCOME TAX EXPENSE

Taxation in the consolidated income statements comprised:

	2001 RMB'000	2000 RMB'000
Taxation		
- current	310,416	248,353
- financial refunds	(163,430)	(122,627)
	146,986	125,726
Deferred taxation	14,351	(2,718)
	161,337	123,008
Share of income tax of a associate company	12,555	2,152
	173,892	125,160

The reconciliation between current tax expense and the product of profit before taxation and minority interests in the accompanying financial statements multiplied by the applicable tax rate is as follows:

	2001				
RMB'000	Shanghai-Nanjing Expressway and Nanjing Section	Guangjing Xicheng	Nanjing-Shanghai Class 2 Highway	Associates	Total
Profit before taxation and minority interests in the accompanying financial statements	744,081	125,957	122,501	35,332	1,027,871
Full rate before financial refund	33%	33%	33%	33%	
Tax at the applicable tax rate	245,547	41,566	40,425	11,660	339,198
Financial refunds	(137,127)	—	(26,303)	—	(163,430)
Tax effect of income that are not assessable in determining taxable profit	(3,315)	—	—	—	(3,315)
Tax effect of expenses not deductible in determining taxable profit	22	522	—	895	1,439
Tax expense in respect of current year	105,127	42,088	14,122	12,555	173,892

20. INCOME TAX EXPENSE (Cont'd)

	2000				
(RMB'000)	Shanghai-Nanjing Expressway and Nanjing Section	Jiangsu Xicheng and Jiangsu Guangjing	Nanjing-Shanghai Class 2 Highway	An Associate	Total
Profit before taxation and minority interests in the accompanying financial statements	600,421	73,679	138,960	11,458	824,518
Full rate before financial refund	33%	—	33%	33%	—
Tax at the applicable tax rate	198,139	—	45,857	3,781	247,777
Financial refund	(98,728)	—	(23,899)	—	(122,627)
Tax effect of income that are not assessable in determining taxable profit	(478)	—	—	(1,629)	(2,107)
Tax effect of expenses not deductible in determining taxable profit	3,600	—	—	—	3,600
Effect of deferred taxation on different tax rates	(1,483)	—	—	—	(1,483)
Tax expense in respect of current year	101,050	—	21,958	2,152	125,160

The Company and its subsidiaries are subject to EIT levied at a rate of 33% of taxable income based on its audited accounts prepared in accordance with the laws and regulations in the PRC.

Pursuant to relevant documents issued by the Finance Department of Jiangsu Province (the "Jiangsu Finance Department"), the Company was granted financial refunds equal to 18% of its taxable income in respect of EIT paid on the income generated from the operations of the Shanghai-Nanjing Expressway.

Pursuant to the relevant documents mentioned above, income generated from the operations of the Nanjing-Shanghai Class 2 Highway was granted financial refunds equal to 33% of its taxable income in respect of EIT paid. However, pursuant to Cai Shui [2000] No.99 issued by Ministry of Finance in October 2000, effective from 1st January, 2000, income generated from the operations of the Nanjing-Shanghai Class 2 Highway would be grated financial refunds equal to 18% of its taxable income in respect of EIT paid.

(Expressed in Renminbi ("RMB") unless otherwise stated)

20. INCOME TAX EXPENSE (Cont'd)

In addition, pursuant to documents mentioned above, the above preferential tax treatment would remain effective until 31st December, 2001.

Pursuant to Cai Shui [1994] No.1 issued by State Tax Bureau in 1994, and confirmed by Jiangsu Provincial Tax Bureau, Jiangsu Xicheng and Jiangsu Guangjing were entitled to full exemption from EIT for 2000.

There were no Hong Kong profits tax liabilities as the Group did not earn any income assessable to Hong Kong profits tax.

21. DIVIDENDS

	2001	2000
Dividends declared before year end		
- Interim	**—**	—
- Final, RMB 0.09 (2000: RMB 0.08) per share	**453,397**	391,020
	453,397	391,020
Dividends proposed after year end, RMB 0.125 (Note 27)	**629,718**	453,397

In accordance with the articles of association of the Company, the Company declares dividends based on the lesser of the retained profit reported in the statutory accounts and that reported in the financial statements prepared in accordance with IFRS (Note 13(b)).

The dividends for 2001 of approximately RMB 0.125 per share were proposed by board of directors on 8th April, 2002, and are subject to approval by shareholders.

22. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of RMB 841,240,000 (2000: RMB 688,306,000), divided by the weighted average number of ordinary shares outstanding during the year of 5,037,747,500 shares (2000: 4,891,436,025 shares).

The diluted earning per share was not calculated because no potential shares existed.

23. CASH GENERATED FROM OPERATIONS

(a) Reconciliation from profit before tax and extraordinary item to cash generated from operations:

	2001	2000
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	1,027,871	824,518
Adjustments for:		
Provision for bad debts	630	433
Depreciation of property, plant and equipment and amortization of intangible assets	288,026	252,628
Amortization of land use rights	27,221	23,527
Loss on disposal of fixed assets	13,578	35,112
Share of profit from associates	(35,332)	(11,457)
Interest income	(33,736)	(26,536)
Interest expenses	19,064	46,991
Operating profit before working capital changes	1,307,322	1,145,216
(Increase) decrease in prepayments and other receivables	(12,686)	130,752
Decrease (increase) in inventories and supplies	940	(1,802)
Increase (decrease) in taxes payable, other payables and accruals	7,245	(133,495)
Cash generated from operations	1,302,821	1,140,671

23. CASH GENERATED FROM OPERATIONS (Cont'd)

(b) Purchase of property, plant and equipment

	2001	2000
	RMB'000	RMB'000
Increase in property, plant and equipment	68,579	491,592
Add: Payables for purchase of property, plant and equipment, beginning of year	167,031	176,142
Due to a related party for purchase of property, plant and equipment, beginning of year	—	373
Less: Payables for purchase of property, plant and equipment, end of year	(68,041)	(167,031)
Cash paid for acquisition of property, plant and equipment	167,569	501,076

(c) Analysis of the balances of cash and cash equivalents

	2001	2000
	RMB'000	RMB'000
Cash on hand	243	257
Fixed deposits	79,660	288,813
Saving deposits	695,720	681,923
Short-term Investment	116,311	—
	891,934	970,993

(Expressed in Renminbi ("RMB") unless otherwise stated)

24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name of related party and relationship

Name	Relationship with the Company
Jiangsu Communications Holding Company Ltd.	The ultimate parent company
Jiangsu Kuailu	The associate
Yangtze Bridge	The associate

(b) Related party transactions

The Group and the Company had the following significant related party transactions during the year ended 31st December, 2001:

(i) *Jiangsu Communications Holding Company Ltd.*

The Group and the Company had aggregate banking facilities of approximately USD 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. Unused facilities as at 31st December, 2001 amounted to approximately USD 2,912,000 (RMB equivalent 18,142,000) (2000: USD 3,741,000, RMB equivalent 30,979,000). These facilities were guaranteed by Jiangsu Communications Holding Company Ltd..

Pursuant to the agreement between the Jiangsu Communications Investment Corporation and the Company on 8th Apirl, 1999, the Company acquired from Juangsu Communications Holding Company Ltd. (formerly known as Jiangsu Communications Investment Corporation) 17.83% of the registered capital representing 381,185,660 shares in Jiangsu Yangtze Bridge Company Limited at a cash consideration of RMB 472,670,218.

25. COMMITMENTS

As at 31st December, 2001, the Company is committed to pay Ninglian Ningtong Management Office a service charge at a fixed rate of 17% of the total toll collected on Nanjing section per annum for a term of 30 years from 1st January, 2000.

26. IMPACT OF IFRS 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 IFRS 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,	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
As restated in statutory accounts	**780,864**	691,487	**13,470,559**	13,319,413
IFRS adjustment:				
- Reversal of impact of change in accounting policy under statutory accounts	**—**	(603)	**—**	—
- Amortization of land use right	**36,920**	—	**36,920**	—
- Valuation, depreciation and amortization of property, plant and equipment	**30,730**	26,570	**(1,618,152)**	(1,648,882)
- Loss on disposal of staff quarters	**—**	(31,866)	**(8,237)**	(8,237)
- Deferred taxation	**(14,351)**	2,718	**(14,351)**	—
- Interest on hold-to-maturity investment	**7,077**	—	**7,077**	—
- Dividends proposed in subsequent period	**—**	—	**629,718**	453,397
	841,240	688,306	**12,503,534**	12,115,691

27. SUBSEQUENT EVENTS

Pursuant to the resolution made by the Board of Directors subsequent to 31st December, 2001, the Company will propose a final dividend of RMB 0.125 per share for the fiscal year ended 31st December, 2001.

28. SEGMENT REPORTING

The Group conducts its business within one business segment - the business of operating and managing toll roads. No segment income statement has been prepared by the Group during the year ended 31st December, 2001. The Group also operates within one geographical segment because its revenues are primarily generated in the Jiangsu Province PRC and its assets are located in the Jiangsu Province PRC. Accordingly, no geographical segment data is presented.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 8th April, 2002.