1. Corporate Information

The registered office of Sichuan Expressway Company Limited is located at 252 Wuhouchi Da Jie, Chengdu, Sichuan Province, the People's Republic of China (the "PRC").

During the year, the principal activities of the Group were the construction, management and operation of expressways, high grade roads and a toll bridge as well as the development and operation of certain ancillary services.

In the opinion of the directors, the ultimate holding company is Sichuan Highway Development Holding Company ("Sichuan Highway Development"), a stated-owned enterprise.

2. Impact of New/Revised Statements of Standard Accounting Practice ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

• SSAP 9 (Revised):	"Events after the balance sheet date"
• SSAP 14 (Revised):	"Leases"
• SSAP 18 (Revised):	"Revenue"
• SSAP 26:	"Segment reporting"
• SSAP 28:	"Provisions, contingent liabilities and contingent assets"
• SSAP 29:	"Intangible assets"
• SSAP 30:	"Business combinations"
• SSAP 31:	"Impairment of assets"
• SSAP 32:	"Consolidated financial statements and accounting for investment in subsidiaries"
• Interpretation 12:	"Business combinations — subsequent adjustment of fair values and goodwill initially reported"
• Interpretation 13:	"Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that a proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 11 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 30 to the financial statements.

2. Impact of New/Revised Statements of Standard Accounting Practice ("SSAPs") *(continued)*

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The revised SSAP has not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. As further explained in note 4 to the financial statements, this SSAP has not had a material impact on the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the disclosure requirements in respect thereof. This SSAP has not had a material impact on the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. This SSAP has not had a material impact on the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Negative goodwill is recognised in the profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. This SSAP and Interpretation has not had a material impact on the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statement, and has had no significant impact on the preparation of these financial statements.

3. Summary of Significant Accounting Policies

Fundamental Accounting Concept

These financial statements have been prepared under the going concern concept notwithstanding the net current liabilities position of Rmb807,186,000 as of 31 December 2001 because banking facilities aggregating to Rmb1.22 billion granted by the Construction Bank of China are available to the Group. As of 31 December 2001, the banking facilities were utilised by an amount of Rmb300 million.

3. Summary of Significant Accounting Policies *(continued)*

Basis of Accounting

These financial statements have been prepared in accordance with Hong Kong statements of standard accounting practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("HK GAAP"). They have been prepared under the historical cost convention, except for the remeasurement of investments in listed securities, as further explained below. This basis of accounting differs in certain respects from that used in the preparation of the statutory financial statements of the Group, which were prepared in accordance with the accounting principles and the relevant financial regulations applicable to joint stock limited companies established in the PRC ("PRC GAAP"). The material differences arising from restating net profit attributable to shareholders and shareholders' equity to HK GAAP have been adjusted in these financial statements, but will not be recorded in the accounting records of the Group. The impact of the these HK GAAP adjustments is set out in note 34 to the financial statements.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

The results of the associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

3. Summary of Significant Accounting Policies *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001 to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative Goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the profit and loss account and any relevant reserves as appropriate.

3. Summary of Significant Accounting Policies *(continued)*

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. Related parties may be individuals or corporate entities.

Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed Assets and Depreciation

Fixed assets other than construction in progress are stated at cost less accumulated depreciation. The 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. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the tangible fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation of expressways, tunnels and bridges is provided by using the sinking fund method whereby the aggregate annual depreciation amounts, compounded at average rates from 4.8% to 6.8% per annum, up to the expiry of the underlying expressway concession periods of 25.5 to 30 years, will equal the total cost of the expressways, tunnels and bridges.

Land represents direct attributable costs of bringing the land to a condition suitable for the construction of the expressways. Cost comprises land use rights and the cost of demolishing buildings and structures, and removal and compensation expenses paid to residents. Depreciation of land is provided for on a straight-line basis to write off the cost of land over the underlying expressway concession periods of 25.5 to 30 years.

3. Summary of Significant Accounting Policies *(continued)*

Fixed Assets and Depreciation *(continued)*

Pursuant to the Chengbei Concession Agreement, the Sichuan Provincial Department of Communications, as authorised by the Sichuan Provincial Government, has granted the concession rights in respect of the Chengbei Exit Expressway (the "Concession Rights") to Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Co.") for a term of 30 years from 6 September 1996, being the date of incorporation of Chengbei Co. The Chengbei Exit Expressway was completed and open to traffic on 21 December 1998. The remaining period of the Concession Rights had been approximately 28 years, which was adopted for the calculation of the depreciation rates of land and expressway of the Chengbei Exit Expressway.

However, according to a document "Chuan Jiao Gong Lu [2001] No.90" jointly issued by the Sichuan Provincial Department of Communications and Sichuan Provincial Price Bureau on 18 June 2001, the toll collection period actually granted to the Chengbei Exit Expressway is only 25.5 years from 21 December 1998 to 30 June 2024. The management of the Group is of the opinion that the approved toll collection period reflects the economic useful lives of land and expressway of the Chengbei Exit Expressway.

With effect from 1 January 2001, the Group changed the estimated useful lives of land and expressway of the Chengbei Exit Expressway as follows:

	New	**Old**
Land	25.5 years	28 years
Expressway	25.5 years	28 years

The above represents a change in accounting estimate and has been accounted for prospectively in the current year's financial statements. The change has the effect of decreasing the current year's profit before tax by Rmb1,210,000.

Depreciation of fixed assets other than expressways, tunnels and bridges and land is provided for on a straight-line basis to write off the cost of the assets, less their estimated residual values, being 3% of the cost, over their remaining estimated useful lives. The principal annual rates used for this purpose are as follows:

	Estimated useful life	**Annual depreciation rate**
Safety equipment	10 years	9.7%
Communication and signalling systems	10 years	9.7%
Toll collection equipment	8 years	12.1%
Buildings	30 years	3.2%
Machinery and equipment	5-10 years	9.7-19.4%
Motor vehicles	8 years	12.1%

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

3. Summary of Significant Accounting Policies *(continued)*

Fixed Assets and Depreciation *(continued)*

Construction in progress represents costs incurred in the construction of expressways, tunnels, bridges, safety equipment, communication and signalling systems, as well as the direct attributable costs of bringing the land to a suitable condition for the construction of expressways. Cost comprises the direct costs of construction, the costs of demolishing buildings and structures, the removal and compensation expenses paid to residents, and capitalised borrowing costs on related borrowing funds during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Operating Rights

Operating rights represent the rights to operate high grade roads and are stated at cost less accumulated amortisation.

Amortisation is provided on a straight-line basis over the periods of the operating rights granted to the Company and its subsidiaries.

Long Term Investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis. The estimated fair values of unlisted investments are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Short Term Investments

Short term investments are investments in securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

3. Summary of Significant Accounting Policies *(continued)*

Inventories

Inventories are mainly spare parts and consumable supplies for repairs and maintenance of expressways and high grade roads and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

Foreign Currency Transactions

The Group's financial records are maintained and the financial statements are stated in Renminbi ("Rmb").

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the appropriate rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account, unless such exchange differences are incurred for funds borrowed specifically for the financing of construction, which are capitalised to the extent that they can be regarded as adjustments to interest costs.

Retirement Benefits

Obligatory retirement benefits in the form of contributions under defined contribution retirement plans to a local social security bureau are charged to the profit and loss account as incurred.

Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight line basis over the lease terms.

Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) toll revenue, net of any applicable revenue taxes, when received;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividends, when the shareholders' right to receive payment is established.

Tax

PRC income tax is provided at rates applicable to enterprises in the PRC on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax legislation, practices and interpretations thereof.

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. Summary of Significant Accounting Policies *(continued)*

Borrowing Costs

Borrowing costs that are directly attributable to the construction of expressways, tunnels and bridges are capitalised as part of the cost of such assets when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognised as expenses in the period in which they are incurred.

The amount of borrowing costs capitalised is determined by reference to the actual borrowing costs incurred on funds borrowed specifically for the construction of expressways, tunnels and bridges during the period less any investment income arising from the temporary investment of those borrowings.

Capitalisation of borrowing costs on funds borrowed specifically for the construction of completed expressway sections ceases when the construction of such expressway sections is completed, or is substantially completed and has commenced toll operations.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings with capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11 and 27 to the financial statements.

Cash Equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. Segment Information

The Group's turnover and contribution to profit from operating activities for the year were derived from tolls from expressways, high grade roads and a bridge in Sichuan Province, the PRC. Accordingly, no segment information by business and geographical segments is presented.

5. Turnover, Revenue and Gains

Turnover mainly represents toll income from operation of expressways, high grade roads and a toll bridge, net of relevant revenue taxes. An analysis of turnover, revenue and gains is as follows:

	2001	2000
	Rmb'000	*Rmb'000*
Toll revenue		
— Chengyu Expressway	**467,568**	437,850
— Chengya Expressway	**138,564**	97,504
— Chengbei Exit Expressway	**31,579**	26,326
— Zigong Ring Roads	**22,349**	17,732
— Toll Bridge and Roads in Luzhou	**41,120**	45,895
	701,180	625,307
Less: Revenue taxes	**(36,573)**	(31,142)
	664,607	594,165
Other revenue		
Rental income	**6,667**	4,215
Road administration charges	**6,947**	6,763
Interest income	**12,403**	9,962
Income from short term investments	**—**	11,828
Miscellaneous	**6,695**	4,851
	32,712	37,619
Gains		
Exchange gains	**2,353**	6,726
Negative goodwill recognised	**80**	—
Gain on disposal of an associate	**133**	—
Gain on disposal of fixed assets	**—**	67
	2,566	6,793
Other revenue and gains	**35,278**	44,412
	699,885	638,577

6. Profit From Operating Activities

The Group's profit from operating activities is arrived at after charging:

	2001 Rmb'000	2000 Rmb'000
Depreciation	179,513	160,054
Amortisation of operating rights	24,991	24,991
Goodwill arising on acquisition of an associate:		
Amortisation for the year	54	—
Minimum lease payments under operating leases:		
Land and buildings	1,162	790
Auditors' remuneration	1,360	1,340
Staff costs (excluding directors' remuneration (note 8)):		
Wages and salaries	49,955	46,204
Pension contributions	5,538	3,464
Accommodation benefits	1,285	11,258
Loss on disposal of fixed assets	9,616	—
Unrealised loss on revaluation of short term listed investments	1,548	—

7. Finance Costs

	2001 Rmb'000	2000 Rmb'000
Interest on bank loans wholly repayable within five years	112,238	130,495
Interest on other loans	22,137	27,720
Total interest	134,375	158,215
Interest capitalised	—	(5,909)
	134,375	152,306

8. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2001 **Rmb'000**	2000 Rmb'000
Fees	**—**	—
Other emoluments for directors:		
Basic salaries and allowances and benefits in kind	**1,232**	1,048
Pension scheme contributions	**26**	19
	1,258	1,067

None of the directors received remuneration in excess of HK$1 million during the year.

Except for one independent non-executive director who waived his remuneration in the amount of Rmb75,833, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid individuals were also the Company's directors.

9. Tax

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year.

Pursuant to an approval document "Wai Jing Mao Zi Shen Zi (1998) No. 15" dated 17 March 1998 issued by the Ministry of Foreign Trade and Economic Co-operation, the Company acquired the legal person status of a Sino-foreign joint stock limited company. Upon the application of the Company and pursuant to a certificate issued by the Sichuan Provincial Branch of the State Tax Bureau dated 25 August 1998:

- For the two years from 1 January 1998 to 31 December 1999, the Company was exempted from Enterprise Income Tax ("EIT");
- For the three years from 1 January 2000 to 31 December 2002, the Company is required to pay EIT at 50% of the applicable EIT rate of 24% fixed by the State; and
- Commencing 1 January 2003, the Company will be required to pay EIT at the applicable EIT rate of 24% fixed by the State.

Pursuant to a document "Guo Ban Fa [2001] No. 73" dated 29 September 2001 issued by the State Council of the PRC and approved by local tax authorities, the Company's subsidiaries, Zigong Shunan Ring Road Company Limited and Luzhou Shulu Road Company Limited, were granted a tax concession to pay EIT at preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

Other subsidiaries and associates of the Company are required to pay EIT at the standard rate of 33%.

9. Tax *(continued)*

Tax charge for the year is as follows:

	2001 **Rmb'000**	2000 Rmb'000
Group:		
The PRC	**32,356**	39,358
Share of tax attributable to:		
Associates	**351**	102
Tax charge for the year	**32,707**	39,460

No provision for deferred tax has been made because there were no material timing differences at the balance sheet date.

10. Net Profit From Ordinary Activities Attributable to Shareholders

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is Rmb217,424,000 (2000: Rmb227,745,000).

11. Dividend

	2001 **Rmb'000**	2000 Rmb'000
Proposed final dividend		
— Rmb0.03 (2000: Rmb0.03) per share	**76,742**	76,742

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of Rmb76,742,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this was to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as of 31 December 2000, by Rmb76,742,000.

The effect of this change in accounting policy as of 31 December 2001 is that the current year's proposed final dividend of Rmb76,742,000 was included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

12. Earnings Per Share

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of Rmb174,576,000 (2000: Rmb166,452,000) and 2,558,060,000 (2000: 2,558,060,000) Domestic and H Shares in issue during the year.

13. Fixed Assets

Group

	At 1 January 2001 Rmb'000	Additions/ provided during the year Rmb'000	Acquisition of a subsidiary Rmb'000	Disposals Rmb'000	Transfers Rmb'000	At 31 December 2001 Rmb'000
Cost:						
Land	791,868	677	12,827	—	1,972	807,344
Expressways, tunnels and bridges	6,250,118	—	—	—	58,977	6,309,095
Safety equipment	371,234	—	—	—	94	371,328
Communication and signalling systems	44,700	186	—	(614)	456	44,728
Toll collection equipment	13,944	556	—	—	1,582	16,082
Buildings	211,558	17,914	4,516	(742)	7,531	240,777
Machinery and equipment	72,073	18,354	5,409	(1,758)	6,104	100,182
Motor vehicles	54,433	9,399	616	(15,834)	—	48,614
Construction in progress	76,549	113,254	—	—	(76,716)	113,087
	7,886,477	160,340	23,368	(18,948)	—	8,051,237
Accumulated depreciation:						
Land	54,484	29,110	69	—	—	83,663
Expressways, tunnels and bridges	607,508	84,458	—	—	—	691,966
Safety equipment	113,944	36,246	—	—	—	150,190
Communication and signalling systems	21,047	4,368	—	(215)	—	25,200
Toll collection equipment	3,299	1,578	—	—	—	4,877
Buildings	20,116	7,159	645	(121)	—	27,799
Machinery and equipment	25,217	9,461	47	(544)	—	34,181
Motor vehicles	16,939	7,133	374	(5,297)	—	19,149
	862,554	179,513	1,135	(6,177)	—	1,037,025
Net book value:						
Land	737,384					723,681
Expressways, tunnels and bridges	5,642,610					5,617,129
Safety equipment	257,290					221,138
Communication and signalling systems	23,653					19,528
Toll collection equipment	10,645					11,205
Buildings	191,442					212,978
Machinery and equipment	46,856					66,001
Motor vehicles	37,494					29,465
Construction in progress	76,549					113,087
	7,023,923					7,014,212

13. Fixed Assets *(continued)*

Company

	At 1 January 2001 Rmb'000	Additions/ provided during the year Rmb'000	Disposals Rmb'000	Transfers Rmb'000	At 31 December 2001 Rmb'000
Cost:					
Land	320,992	—	—	1,972	322,964
Expressways, tunnels and bridges	3,296,489	—	—	—	3,296,489
Safety equipment	212,107	—	—	94	212,201
Communication and signalling systems	43,177	144	(337)	—	42,984
Toll collection equipment	3,714	536	—	1,582	5,832
Buildings	104,536	28	—	137	104,701
Machinery and equipment	44,644	4,282	(413)	57	48,570
Motor vehicles	24,792	6,831	(2,940)	—	28,683
Construction in progress	60,896	18,804	—	(3,842)	75,858
	4,111,347	30,625	(3,690)	—	4,138,282
Accumulated depreciation:					
Land	36,177	10,711	—	—	46,888
Expressways, tunnels and bridges	568,812	40,928	—	—	609,740
Safety equipment	97,291	20,575	—	—	117,866
Communication and signalling systems	20,894	4,170	(162)	—	24,902
Toll collection equipment	1,859	513	—	—	2,372
Buildings	15,502	3,385	—	—	18,887
Machinery and equipment	19,246	5,225	(283)	—	24,188
Motor vehicles	12,682	3,358	(1,902)	—	14,138
	772,463	88,865	(2,347)	—	858,981
Net book value:					
Land	284,815				276,076
Expressways, tunnels and bridges	2,727,677				2,686,749
Safety equipment	114,816				94,335
Communication and signalling systems	22,283				18,082
Toll collection equipment	1,855				3,460
Buildings	89,034				85,814
Machinery and equipment	25,398				24,382
Motor vehicles	12,110				14,545
Construction in progress	60,896				75,858
	3,338,884				3,279,301

14. Operating Rights

Group

	2001	2000
	Rmb'000	*Rmb'000*
Cost:		
At 1 January and 31 December	**469,820**	469,820
Accumulated amortisation:		
At beginning of year	**40,815**	15,824
Provided during the year	**24,991**	24,991
At 31 December	**65,806**	40,815
Net book value:		
At 31 December	**404,014**	429,005

15. Negative Goodwill

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the negative goodwill recognised in the balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

	Negative goodwill ***Rmb'000***
Cost:	
Acquisition of a subsidiary and at 31 December 2001	3,214
Accumulated recognition as income:	
Recognised as income during the year and at 31 December 2001	(80)
Net book value:	
At 31 December 2001	3,134

The Group has adopted the transitional provision of SSAP 30 which permits the goodwill in respect of acquisitions which occurred prior to 1 January 2001, of Rmb786,000 to remain eliminated against reserves. There was no movement in respect of this goodwill during the year.

16. Investments in Subsidiaries

Company

	2001	2000
	Rmb'000	*Rmb'000*
Unlisted investments, at cost	**830,341**	820,391

16. Investments in Subsidiaries *(continued)*

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest free and have no fixed terms of repayment, except for an aggregate amount of Rmb672,000,000 (2000: Rmb689,000,000) due from Sichuan Chengya Expressway Company Limited and Chengbei Co. bearing interest at a rate of 6.03% (2000: 7.02%) per annum.

Particulars of the Company's subsidiaries, which are all established and operate in the PRC, are as follows:

Name	Legal person status	Nominal value of issued/ registered capital	Percentage of equity attributable to the Group		Principal activities
		Rmb'000	Direct	Indirect	
Sichuan Chengya Expressway Company Limited	Joint stock limited company	800,000	58.75	0.225	Construction and operation of the Chengya Expressway
Chengdu Chengbei Exit Expressway Company Limited	Limited company	135,000	60	—	Construction and operation of the Chengbei Exit Expressway
Chengdu Shuhai Investment Management Company Limited	Limited company	200,000	99.9	—	Investment holding
Zigong Shunan Ring Road Company Limited	Limited company	199,982	—	59.94	Operation of two high grade roads in Zigong
Sichuan Shugong Expressway Engineering Company Limited	Limited company	30,000	95	—	Repairs and maintenance of expressways
Sichuan Shusha Enterprise Company Limited	Limited company	30,000	99.5	—	Development of ancillary services and property
Luzhou Shulu Road Company Limited	Limited company	270,000	—	59.94	Operation of two high grade roads and a toll bridge in Luzhou
Sichuan Shutong Expressway Industrial Company Limited	Limited company	20,000	97.5	—	Construction and operation of the southern part of Dajian Road
Zigong Jiuda Petrochemical Company Limited	Limited company	20,000	—	69.65	Trading of petrochemical products

During the year, Sichuan Shusha Enterprise Company Limited ("Shusha Co."), a 99.5% subsidiary of the Company, acquired a 70% interest in Zigong Jiuda Petrochemical Company Limited ("Jiuda Co."). Further details of this acquisition are set out in note 28(c) to the financial statements.

17. Interest in Associates

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Unlisted investment, at cost	**—**	—	**38,438**	38,438
Share of net assets	**52,931**	38,668	**—**	—
Goodwill on acquisition	**2,108**	—	**—**	—
	55,039	38,668	**38,438**	38,438

The Group's share of the accumulative reserves of the associate at 31 December 2001 was Rmb503,000 (2000: Rmb230,000).

Particulars of the associates, which are established and operate in the PRC, are as follows:

Name	Legal person status	Percentage of equity attributable to the Group 2001	2000	Principal activities
Chengdu Airport Expressway Company Limited	Limited company	25	25	Construction and operation of the New Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	Limited company	20	—	Development and sales of high-tech products
Sichuan Chengya Oil Supply Company Limited	Limited company	27	—	Trading of petroleum products

18. Long Term Investments

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Unlisted equity investments, at approximate fair value	**32,225**	2,000	**21,000**	1,500

19. Inventories

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Spare parts and consumable supplies	**3,483**	2,909	**3,483**	2,577

20. Other Receivables

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Prepayments	**5,109**	26,730	**2,325**	1,656
Deposits and other debtors	**28,188**	7,259	**12,935**	10,569
	33,297	33,989	**15,260**	12,225

21. Short Term Investments

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Listed equity investments, at market value	**31,388**	23,036	**31,388**	23,036

22. Cash and Cash Equivalents

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Cash and bank balances	**221,648**	461,462	**128,122**	220,724
Time deposits with original maturities of three months or less	**52,821**	41,242	**52,821**	26,242
Time deposits with original maturities of over three months	**62,447**	69,684	**47,447**	69,684
	336,916	572,388	**228,390**	316,650

23. Other Payables and Accruals

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Accruals	**12,753**	14,775	**11,217**	12,930
Other liabilities	**248,779**	265,983	**21,165**	19,261
	261,532	280,758	**32,382**	32,191

24. Interest-bearing Bank and Other Loans

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Bank loans, unsecured	**1,588,077**	2,083,610	**483,077**	734,610
Other loans, unsecured	**520,800**	452,000	**—**	—
	2,108,877	2,535,610	**483,077**	734,610
Bank loans repayable:				
Within one year	**140,901**	348,383	**35,901**	49,383
In the second year	**757,887**	101,246	**37,887**	51,246
In the third to fifth years, inclusive	**689,289**	1,466,354	**409,289**	466,354
Beyond five years	**—**	167,627	**—**	167,627
	1,588,077	2,083,610	**483,077**	734,610
Other loans repayable:				
Within one year	**200,000**	100,000	**—**	—
In the second year	**40,000**	20,000	**—**	—
In the third to fifth years, inclusive	**30,800**	82,000	**—**	—
Beyond five years	**250,000**	250,000	**—**	—
	520,800	452,000	**—**	—
Total bank and other loans	**2,108,877**	2,535,610	**483,077**	734,610
Portion classified as current liabilities	**(340,901)**	(448,383)	**(35,901)**	(49,383)
Long term portion	**1,767,976**	2,087,227	**447,176**	685,227

The bank loans are unsecured and bear interest at rates ranging from 4% to 8.06% per annum.

Bank loans amounting to Rmb300,000,000 (2000: Rmb569,000,000) are guaranteed by Sichuan Highway Development.

The other loans are unsecured and bear interest at rates ranging from 2.5% to 6.435% per annum.

25. Due to the Ultimate Holding Company

The amount due to the ultimate holding company is unsecured, interest-free and is repayable on demand.

26. Issued Capital

Group and Company

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Authorised, issued and fully paid:				
Domestic Shares of Rmb1.00 each	**1,662,740,000**	1,662,740,000	**1,662,740**	1,662,740
H Shares of Rmb1.00 each	**895,320,000**	895,320,000	**895,320**	895,320
	2,558,060,000	2,558,060,000	**2,558,060**	2,558,060

The Domestic Shares are not currently listed on any stock exchange.

The H Shares have been issued and listed on The Stock Exchange of Hong Kong Limited since October 1997.

All the Domestic and H Shares rank pari passu with each other as to dividend and voting rights.

27. Reserves

	Share premium account *Rmb'000*	Statutory surplus reserve *Rmb'000*	Statutory public welfare fund *Rmb'000*	General surplus reserve *Rmb'000*	Proposed transfer general surplus reserve *Rmb'000*	Retained profits *Rmb'000*	Total *Rmb'000*
Group							
At 1 January 2000							
As previously reported	1,413,597	56,124	51,524	93,894	—	35,989	1,651,128
Prior year adjustment SSAP 9 — note 27 (c)	—	—	—	(46,173)	46,173	—	—
As restated	1,413,597	56,124	51,524	47,721	46,173	35,989	1,651,128
Goodwill arising on acquisition of additional interest in a subsidiary	—	—	—	—	—	(786)	(786)
Net profit for the year	—	—	—	—	—	166,452	166,452
Transfer from/(to) reserves	—	21,277	20,633	46,173	(46,173)	(41,910)	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	38,452	(38,452)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2000 and beginning of year	1,413,597	77,401	72,157	93,894	38,452	44,551	1,740,052
Net profit for the year	—	—	—	—	—	174,576	174,576
Transfer from/(to) reserves	—	19,129	17,812	38,452	(38,452)	(36,941)	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	32,987	(32,987)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2001	1,413,597	96,530	89,969	132,346	32,987	72,457	1,837,886
Company							
At 1 January 2000							
As previously reported	1,413,597	54,847	50,861	93,751	—	146,682	1,759,738
Prior year adjustment SSAP 9 — note 27 (c)	—	—	—	(46,173)	46,173	—	—
As restated	1,413,597	54,847	50,861	47,578	46,173	146,682	1,759,738
Net profit for the year	—	—	—	—	—	227,745	227,745
Transfer from/(to) reserves	—	18,461	18,461	46,173	(46,173)	(36,922)	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	36,922	(36,922)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2000 and beginning of year	1,413,597	73,308	69,322	93,751	36,922	223,841	1,910,741
Net profit for the year	—	—	—	—	—	217,424	217,424
Transfer from/(to) reserves	—	16,494	16,494	36,922	(36,922)	(32,988)	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	32,987	(32,987)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2001	1,413,597	89,802	85,816	130,673	32,987	298,548	2,051,423

27. Reserves *(continued)*

(a) In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, the Company, its subsidiaries and associates are required to allocate 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) In accordance with the Company Law of the PRC, the Company, its subsidiaries and associates are required to transfer 5% to 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to the Company, its subsidiaries and associates, to the statutory public welfare fund ("PWF") which is a non-distributable reserve other than in the event of the liquidation of the Company, its subsidiaries and associates. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the property of the Company, its subsidiaries and associates.

When the PWF is utilised, an amount equal to the lower of the cost of the assets and the balance of the PWF is transferred from the PWF to the general surplus reserve ("GSR"). The GSR is non-distributable other than in liquidation. On disposal of the relevant assets, the original transfers from the PWF are reversed.

(c) In addition to the above statutory reserves which are required by the Company Law of the PRC and respective articles of association of the Company, its subsidiary and associates, the directors proposed for approval at the forthcoming annual general meeting to transfer 20% of its profit after taxation to the general surplus reserve.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statement. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed transfer general surplus reserve.

(d) According to the relevant regulations in the PRC, the reserve available for distribution is the lower of the amount determined under PRC accounting standards and the amount determined under HK GAAP. The current year's reserve available for distribution is the amount determined under HK GAAP.

(e) At 31 December 2001, the amount of retained profits of the Company available for distribution as dividend amounted to approximately Rmb375,290,000 (2000: Rmb300,583,000).

28. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of Profit From Operating Activities to Net Cash Inflow From Operating Activities

	2001 **Rmb'000**	2000 Rmb'000
Profit from operating activities	**301,806**	310,773
Depreciation	**179,513**	160,054
Amortisation of operating rights	**24,991**	24,991
Goodwill amortisation	**54**	—
Negative goodwill recognised as income	**(80)**	—
Loss/(gain) on disposal of fixed assets	**9,616**	(67)
Gain on disposal of an associate	**(133)**	—
Loss/(income) from short term investments	**1,548**	(11,828)
Interest income	**(12,403)**	(9,962)
Decrease in other receivables	**3,693**	16,173
Increase in inventories	**(574)**	(232)
Increase/(decrease) in payables and accruals	**30,571**	(34,286)
Increase in an amount due to the ultimate holding company	**143,793**	286,000
Net cash inflow from operating activities	**682,395**	741,616

(b) Analysis of Changes in Financing During the Year

	Share capital (including premium) ***Rmb'000***	**Bank and other loans** ***Rmb'000***	**Minority interests** ***Rmb'000***
Balance at beginning of year	3,971,657	2,535,610	486,562
Net cash inflow from financing	—	(426,733)	50
Acquisition of a subsidiary	—	—	6,689
Dividends paid to minority shareholders	—	—	(6)
Losses attributable to minority shareholders	—	—	(38,789)
Balance at end of year	3,971,657	2,108,877	454,506

28. Notes to the Consolidated Cash Flow Statement *(continued)*

(c) Acquisition of a Subsidiary

	2001 *Rmb'000*
Net assets acquired:	
Property, plant and equipment	22,233
Other receivables	56
Cash and bank balances	5
Minority interests	(6,689)
	15,605
Negative goodwill on acquisition	(3,214)
	12,391
Satisfied by:	
Cash	12,391

Analysis of a net inflow of cash and cash equivalents in respect of the acquisition of subsidiary is as follows:

	2001 *Rmb'000*
Cash consideration	(12,391)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(12,386)

On 30 September 2001, Shusha Co., a 99.5% subsidiary of the Company, acquired a 70% interest in Jiuda Co. from unrelated third parties. Jiuda Co. is engaged in the trading of petrochemical products. The purchase consideration for the acquisition was in the form of cash, with Rmb12,391,000 being paid at the acquisition date.

Since its acquisition, the loss before tax of Jiuda Co. for the year ended 31 December 2001 amounted to Rmb789,000 was included in the results of the Group for the year ended 31 December 2001.

For the year ended 31 December 2001, Jiuda Co. gave rise to net operating cash outflows of Rmb327,000 and investing cash outflows of Rmb291,000, contributed Rmb15,000,000 to the Group's cash flows from financing activities, but had no significant impact in respect of the Group's cash flows for net returns on investments and servicing of finance or the payment of tax.

29. Contingent Liabilities

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**1,050,000**	1,080,000
	—	—	**1,050,000**	1,080,000

30. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 3 to 18 years.

At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
		(Restated)		*(Restated)*
Within one year	**1,050**	1,050	**950**	950
In the second to fifth years, inclusive	**1,033**	1,983	**633**	1,583
After five years	**1,100**	1,200	**—**	—
	3,183	4,233	**1,583**	2,533

SSAP 14 (Revised) requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee have been restated to accord with the current year's presentation.

31. Commitments

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Contracted, but not provided for	**22,025**	272,123	**14,565**	24,751
Authorised, but not contracted for	**308,925**	11,472	**99,408**	4,939
	330,950	283,595	**113,973**	29,690

31. Commitments *(continued)*

Further details of the capital commitments of the Company and the Group as of 31 December 2001 are analysed as follows:

	Group		Company	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
In respect of:				
— The construction of the Chengya Expressway	**—**	87,563	**—**	—
— Construction work to upgrade the Chengyu Expressway	**27,481**	29,690	**27,481**	29,690
— Reconstruction of Chengbei Exit Dajian Road	**200,000**	—	**—**	—
— Construction of the southern part of the Dajian Road	**—**	143,892	**—**	—
— Others	**103,469**	22,450	**86,492**	—
	330,950	283,595	**113,973**	29,690

32. Retirement Scheme and Employee Accommodation Benefits

As stipulated by the State regulations of the PRC, the Group participates in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 20% of the average basic salaries within the geographical area where the employees are under employment with the Group. The Group has no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau.

During the year, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to Rmb5,538,469 (2000: Rmb3,463,694).

According to relevant rules and regulations of Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the salaries and wages of the employees, to an accommodation fund. There are no further obligations on the part of the Group except for such contributions to the accommodation fund. During the year, the Group's contributions to the accommodation fund amounted to Rmb1,284,588 (2000: Rmb1,141,433). In 2000, the Group provided additional housing benefits to certain selected employees amounted to Rmb10,116,434.

33. Related Party Transactions

In the previous years, the Group obtained State loans amounting to Rmb250 million (2000: Rmb250 million) in aggregate pursuant to loan repayment agreements (the "Loan Repayment Agreements") entered into between Sichuan Highway Development, the ultimate holding company of the Company and the Company. The State loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the State loans and pursuant to the Loan Repayment Agreements, the State loans were then transferred to the Group. The State loans have been included in other loans as set out in note 24.

At 31 December 2001, the Group's bank loans amounted to Rmb300 million (2000: Rmb569 million) were guaranteed by Sichuan Highway Development.

These transactions were carried out in accordance with the terms of the agreements governing such transactions.

34. Differences in Financial Statements Prepared Under HK GAAP and PRC GAAP

	Net profit attributable to shareholders for the year ended 31 December		Shareholders' equity as of 31 December	
	2001	2000	**2001**	2000
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
As reported in statutory financial statements of the Group prepared in accordance with PRC GAAP	**167,106**	184,649	**4,414,870**	4,336,257
HK GAAP adjustments:				
(a) Repairs and maintenance and other expenses previously recognised as deferred assets under PRC GAAP	**6,923**	(1,021)	**(287)**	(7,209)
(b) Accrual for additional accommodation benefits	**—**	(9,926)	**(935)**	(14,927)
(c) Provision for bad and doubtful debts previously not made under PRC GAAP	**4,453**	(3,438)	**(1,181)**	(5,634)
(d) Tax	**—**	(7,208)	**(12,797)**	(12,797)
(e) Recognition of investment income/(loss) from short term investments	**(1,830)**	1,830	**—**	1,830
(f) Goodwill eliminated directly against reserves	**—**	—	**(786)**	(786)
(g) Dividend	**—**	—	**76,742**	76,742
(h) Others	**(2,076)**	1,566	**(2,938)**	1,378
As restated in these financial statements	**174,576**	166,452	**4,472,688**	4,374,854

34. Differences in Financial Statements Prepared Under HK GAAP and PRC GAAP *(continued)*

Under the Company's articles of association, the amount available to the Company for the purpose of paying dividends is the lesser of (i) the net after-tax income of the Company determined in accordance with PRC GAAP; and (ii) the net after-tax income of the Company determined in accordance with HK GAAP.

35. Comparative Amounts

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform to the current year's presentation.

36. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 March 2002.