

notes to the financial statements

For the year ended 31 December 2003

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 1 August 1992 as a joint stock limited company and its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, respectively. Its ultimate holding company is Jiangsu Communications Holding Company Ltd. ("Jiangsu Communications") 江蘇交通控股有限公司, a stated owned enterprise incorporated in the PRC.

The principal activities of the Company are 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the ultimate holding company has agreed to provide adequate funds to enable the Company to meet in full its ultimate financial obligations as they fall due for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is capitalised and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented as a deduction from intangible assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill/less the negative goodwill in so far as it has not already been amortised/released to income, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis.

Sales of petrol are recognised when delivery has taken place.

Advertising income, emergency assistance income and revenue from sales of food and beverages are recognised when the services have been rendered.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

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For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses.

Depreciation of the toll roads and structures and amortisation of land use rights are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by management or by reference to traffic projection reports prepared by independent traffic consultants.

Depreciation of other items of property, plant and equipment 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 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 gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress is stated at cost which includes development expenditure and other direct costs, including interest cost on the related borrowed funds during the construction period attributable to the development of toll roads, buildings and structures for the Group's own use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Government subsidies

Government subsidies are recognised as income over the periods necessary to match them with the related costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Retirement benefit costs

Payments to statutory retirement fund schemes are charged as expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. TURNOVER

	2003	2002
	RMB'000	RMB'000
Turnover comprises:		
Toll revenue	2,353,129	2,026,238
Sales of petrol	276,311	183,988
Sales of food and beverages	105,874	104,147
Emergency assistance income	54,445	56,812
Advertising income	20,843	24,014
	<u>2,810,602</u>	<u>2,395,199</u>
Less: Business tax and other related taxes	(134,788)	(122,684)
	<u>2,675,814</u>	<u>2,272,515</u>

5. SEGMENT INFORMATION

All the Group's operations are located and carried out in the PRC, and the principal activities of the Group is the operation and management of toll roads. Accordingly, no segment information by business and geographical segment is presented.

6. PROFIT FROM OPERATIONS

	2003	2002
	RMB'000	RMB'000
Profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration	112,034	102,172
Retirement benefits scheme contributions	24,778	13,718
Total staff costs	136,812	115,890
Auditors' remuneration	1,180	1,250
Allowance for doubtful debts	103	136
Depreciation and amortisation of property, plant and equipment	442,239	373,876
Loss on write off/disposal of property, plant and equipment	6,276	3,890
Cost of inventories recognised as expense	369,012	271,798
and after crediting:		
Gain on disposal of investments in securities	—	4,288
Government subsidies received	19,648	—
Interest income from bank deposits	8,047	8,190
Interest income from designated deposits	1,047	14,012

7. FINANCE COSTS

	2003	2002
	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	8,067	9,895
Over five years	832	832
	8,899	10,727

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8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2003	2002
	RMB'000	RMB'000
Director's fees	440	1,732
Other emoluments		
Salaries and other benefits	80	—
Contribution to retirement benefits scheme	10	—
	<u>530</u>	<u>1,732</u>

The amounts disclosed above include directors' fees of RMB293,000 (2002: RMB292,000) paid to independent non-executive directors.

The emoluments of each of the directors and supervisors for both years ended 31 December 2003 were within the emolument band ranging from nil to HK\$1,000,000 (equivalent to RMB1,060,000).

9. EMPLOYEES' EMOLUMENTS

Employees' Emoluments

The five highest paid individuals during the year included one director (2002: four directors), details of whose emoluments are set out in note 8 above. The emoluments of the remaining four (2002: one) highest paid individuals were as follows:

	2003	2002
	RMB'000	RMB'000
Salaries and other benefits	698	120
Contribution to retirement benefit scheme	41	—
	<u>739</u>	<u>120</u>

The emoluments of each of the five highest paid individuals for both years ended 31 December 2003 were within the emolument band ranging from nil to HK\$1,000,000 (equivalent to RMB1,060,000).

10. TAXATION

	2003	2002
	RMB'000	RMB'000
The charge comprises:		
PRC income tax	475,925	400,501
Deferred taxation (Note 21)	4,279	10,877
Taxation attributable to the Company and its subsidiaries	480,204	411,378
Share of taxation attributable to associates	25,015	22,742
	<u>505,219</u>	<u>434,120</u>

The Company and its subsidiaries are subject to PRC income tax rate of 33% (2002: 33%) pursuant to the relevant PRC income tax laws.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

The tax charge for the year can be reconciled to the profit per income statement as follows:

	2003		2002	
	RMB'000	%	RMB'000	%
Profit before taxation	<u>1,533,974</u>		<u>1,308,949</u>	
Tax at the domestic tax rate of 33% (2002: 33%)	506,211	33.0	431,953	33.0
Tax effect of tax losses not recognised	529	—	619	—
Tax effect of income not taxable for tax purpose	(2,501)	(0.2)	—	—
Tax effect of expenses not deductible for tax purpose	980	0.1	1,548	0.2
Tax charge and effective tax rate for the year	<u>505,219</u>	<u>32.9</u>	<u>434,120</u>	<u>33.2</u>

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11. DIVIDEND

	2003	2002
	RMB'000	RMB'000
Final, proposed — RMB0.145 (2002: RMB0.13) per ordinary share	<u>730,473</u>	<u>654,907</u>

The final dividend of RMB0.145 (2002: RMB0.13) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of RMB1,005,773,000 (2002: RMB854,445,000) and the weighted average number of 5,037,747,500 (2002: 5,037,747,500) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2003.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Toll roads and structures	Land use rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST										
At 1 January 2003	9,414,249	1,716,088	471,493	499,921	209,212	211,880	108,617	164,879	12,525	12,808,864
Additions	225,748	31,180	8,991	—	3,496	27,530	20,659	33,662	939,543	1,290,809
Transfers	—	—	12,837	—	—	5,042	5,316	6,021	(29,216)	—
Write off	—	—	(2,985)	—	—	(322)	(4,971)	(2,011)	(332)	(10,621)
At 31 December 2003	9,639,997	1,747,268	490,336	499,921	212,708	244,130	129,621	202,551	922,520	14,089,052
DEPRECIATION AND AMORTISATION										
At 1 January 2003	755,584	138,938	92,685	267,632	70,341	77,653	41,954	87,343	—	1,532,130
Provided for the year	259,667	40,524	15,484	48,491	20,308	25,953	10,153	21,659	—	442,239
Eliminated on write-off	—	—	(377)	—	—	—	(3,089)	(879)	—	(4,345)
At 31 December 2003	1,015,251	179,462	107,792	316,123	90,649	103,606	49,018	108,123	—	1,970,024
NET BOOK VALUES										
At 31 December 2003	8,624,746	1,567,806	382,544	183,798	122,059	140,524	80,603	94,428	922,520	12,119,028
At 31 December 2002	8,658,665	1,577,150	378,808	232,289	138,871	134,227	66,663	77,536	12,525	11,276,734

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

THE COMPANY

	Toll roads and structures	Land use rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST										
At 1 January 2003	7,160,341	1,716,088	372,921	423,811	208,082	127,931	102,139	150,637	11,890	10,273,840
Additions	225,748	20,188	5,996	—	3,494	27,530	17,959	25,210	913,791	1,239,916
Transfers	—	—	11,955	—	—	5,043	5,316	5,514	(27,828)	—
Disposals	—	—	(2,186)	—	—	—	(10,190)	(55,616)	—	(67,992)
At 31 December 2003	7,386,089	1,736,276	388,686	423,811	211,576	160,504	115,224	125,745	897,853	11,445,764
DEPRECIATION AND AMORTISATION										
At 1 January 2003	711,348	138,939	82,439	243,299	70,197	49,359	41,026	85,281	—	1,421,888
Provided for the year	219,085	40,524	12,197	41,108	20,232	15,775	8,989	14,582	—	372,492
Eliminated on disposals	—	—	(377)	—	—	—	(4,105)	(17,964)	—	(22,446)
At 31 December 2003	930,433	179,463	94,259	284,407	90,429	65,134	45,910	81,899	—	1,771,934
NET BOOK VALUES										
At 31 December 2003	6,455,656	1,556,813	294,427	139,404	121,147	95,370	69,314	43,846	897,853	9,673,830
At 31 December 2002	6,448,993	1,577,149	290,482	180,512	137,885	78,572	61,113	65,356	11,890	8,851,952

All the Group's buildings are situated in the PRC and held under medium-term land use rights.

14. INTERESTS IN SUBSIDIARIES

	2003	2002
	RMB'000	RMB'000
Unlisted investments, at cost	2,244,945	2,220,445
Amounts due from subsidiaries	12,102	12,000
	2,257,047	2,232,445

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current.

Details of the Company's subsidiaries, all of which are limited liability companies, as at 31 December 2003 are as follows:

Name	Place of registration/ operations	Paid up registered capital	Proportion of registered capital held by the Company		Principal activities
			RMB	Directly	
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	PRC	850,000,000	85.00%	—	Construction, management and operation of expressway
Nanjing Shuangshilou Hotel Co., Ltd.	PRC	1,010,000	95.05%	—	Provision of Chinese food
Jiangsu Ninghu Investment Development Co., Ltd.	PRC	100,000,000	95.00%	—	Infrastructure and industrial investments
Jiangsu Sundian Engineering Co., Ltd.	PRC	35,000,000	—	95.50%	Construction and maintenance of expressway

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15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	1,334,619	1,258,468
Share of net assets of associates	1,405,410	1,278,054	—	—
Goodwill of associates	96,432	106,846	—	—
Negative goodwill of an associate	(3,374)	(3,893)	—	—
	<u>1,498,468</u>	<u>1,381,007</u>	<u>1,334,619</u>	<u>1,258,468</u>
Loan to an associate	19,000	800	—	800
	<u>1,517,468</u>	<u>1,381,807</u>	<u>1,334,619</u>	<u>1,259,268</u>
			Negative goodwill	Goodwill
			RMB'000	RMB'000
Goodwill (negative goodwill) of associates				
Gross amount				
At 1 January 2003			(5,191)	125,160
Arising on acquisition			—	2,193
At 31 December 2003			<u>(5,191)</u>	<u>127,353</u>
Amortisation				
At 1 January 2003			1,298	(18,314)
Release (charge) for the year			519	(12,607)
At 31 December 2003			<u>1,817</u>	<u>(30,921)</u>
Carrying amount				
At 31 December 2003			<u>(3,374)</u>	<u>96,432</u>
At 31 December 2002			<u>(3,893)</u>	<u>106,846</u>

The loan to an associate is unsecured and bears interest at 4.8% per annum (2002: interest free). In the opinion of the directors, no repayment will be demanded within the next twelve months, accordingly, the amount is classified as non-current.

The goodwill (negative goodwill) is amortised (released) to the income statement on a straight-line basis over 10 years.

15. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's associates, all of which are limited liability companies, as at 31 December 2003 are as follows:

Name	Place of registration/ operations	Proportion of registered capital held by the Company		Principal activities
		Directly	Indirectly	
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	PRC	33.20%	—	Provision of passenger transportation service along the Shanghai-Nanjing Expressway
Jiangsu Yangtze Bridge Co., Ltd	PRC	26.66%	—	Investment, construction, operation and management of Jiangjin Yangtze River Bridge
Suzhou Sujiahang Expressway Co., Ltd.	PRC	33.33%	—	Investment, construction, operation and management of Sujiahang Expressway
China Transportation HEAD New technology (Shanghai) Co., Ltd.	PRC	35.71%	—	Computer software development
Jiangsu Leasing Co., Ltd.	PRC	—	26.06%	Leasing and financing activities
Shanghai Yinjian Real Estate Co., Ltd.	PRC	—	28.69%	Real estate development
Jiangsu SEU Intelligent System Technology Co., Ltd.	PRC	—	19.66%	Computer software development

In the opinion of the directors, the Group can exercise significant influence over Jiaugsu SEU Intelligent System Technology Co., Ltd. and it is therefore considered as an associate of the Group.

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16. INVENTORIES

THE GROUP AND THE COMPANY

Inventories comprise petrol for sales, materials and spare parts for repairs and maintenance of toll roads and structures. All inventories are stated at cost.

17. PREPAYMENTS AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for materials and equipment	19,863	11,052	12,295	8,883
Receivable from liquidation of a former joint venture	23,812	28,812	23,812	28,812
Others	52,892	32,481	38,274	27,893
	<u>96,567</u>	<u>72,345</u>	<u>74,381</u>	<u>65,588</u>
Less: Allowance for doubtful debts	(1,302)	(1,199)	(8,295)	(1,199)
	<u>95,265</u>	<u>71,146</u>	<u>66,086</u>	<u>64,389</u>

18. DESIGNATED DEPOSITS

The amount represents deposits held with a financial institution for the purpose of fund management. In 2002, included in the designated deposits is an amount of accrued interest of approximately RMB9,067,000.

19. LONG-TERM BORROWINGS

		THE GROUP & THE COMPANY	
		2003	2002
	Interest rate	RMB'000	RMB'000
USD denominated Spain government loans with maturities 2007 — 2026	1% per annum	41,013	41,022
USD denominated buyer's credit loans with maturities 2001 — 2006	6.77% per annum	20,477	27,294
		<u>61,490</u>	<u>68,316</u>

The maturity of the above loans is as follows:

	2003	2002
	RMB'000	RMB'000
Within one year	6,813	6,822
More than one year but not exceeding two years	6,813	6,822
More than two years but not exceeding five years	10,952	20,466
More than five years	36,912	34,206
	<u>61,490</u>	<u>68,316</u>
Less : Amount due within one year included in current liabilities	<u>(6,813)</u>	<u>(6,822)</u>
Amount due after one year	<u>54,677</u>	<u>61,494</u>

All long-term borrowings were guaranteed by Jiangsu Communications.

20. SHORT-TERM BORROWINGS

		THE GROUP & THE COMPANY	
		2003	2002
		RMB'000	RMB'000
Unsecured		<u>1,400,000</u>	<u>120,000</u>

The 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.

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21. DEFERRED TAXATION

The following are the deferred taxation (assets) liabilities recognised and movements thereon during the current and prior year:

THE GROUP				
	Allowance for doubtful debts	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002	—	12,184	2,167	14,351
Charge to income statement	—	10,053	824	10,877
At 31 December 2002	—	22,237	2,991	25,228
Charge (credit) to income statement	(359)	7,629	(2,991)	4,279
At 31 December 2003	(359)	29,866	—	29,507

THE COMPANY				
	Allowance for doubtful debts	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002	—	12,184	2,167	14,351
Charge to income statement	—	10,053	824	10,877
At 31 December 2002	—	22,237	2,991	25,228
Charge (credit) to income statement	(2,668)	7,629	(2,991)	1,970
At 31 December 2003	(2,668)	29,866	—	27,198

22. SHARE CAPITAL

	2003 & 2002	
	Number of shares	Amount
		RMB'000
Authorised, issued and fully paid:		
State shares	2,781,743,600	2,781,744
State legal person shares	599,471,000	599,471
Legal person shares	284,532,900	284,533
H shares	1,222,000,000	1,222,000
A shares	150,000,000	150,000
Total	<u>5,037,747,500</u>	<u>5,037,748</u>

There was no movement in the Company's authorised and issued share capital during the two years ended 31 December 2003.

As at 31 December 2003, the authorised, issued and fully paid share capital of the Company is RMB5,037,747,500 (2002: RMB5,037,747,500) divided into 5,037,747,500 shares (2002: 5,037,747,500 shares) with a par value of RMB1 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.

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23. RESERVES

	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE COMPANY					
At 1 January 2002	5,730,454	293,780	146,891	1,226,805	7,397,930
Profit for the year	—	—	—	811,300	811,300
Appropriations	—	81,683	40,842	(122,525)	—
Dividend (Note 11)	—	—	—	(629,718)	(629,718)
At 31 December 2002	5,730,454	375,463	187,733	1,285,862	7,579,512
Profit for the year	—	—	—	942,292	942,292
Appropriations	—	94,448	47,224	(141,672)	—
Dividend (Note 11)	—	—	—	(654,907)	(654,907)
At 31 December 2003	5,730,454	469,911	234,957	1,431,575	7,866,897

(a) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, each of the Company and its subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after taxation (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of each entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

(b) Statutory public welfare fund

In accordance with the PRC Company Law and the Company's articles of association, each of the Company and its subsidiaries registered in the PRC are required to appropriate 5% of the annual statutory net profit after taxation (after offsetting any prior years' losses) to statutory public welfare fund, which will be utilised to build or acquire capital items, such as dormitories and other facilities for the Company and its subsidiaries' employees, and cannot be used to pay for staff welfare expenses.

Titles of these reserve items will remain with the respective companies comprising the Group.

The above statutory reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

The retained profits of the Group include RMB81,007,000 (2002: RMB40,808,000) retained by associates of the Group.

The Company's reserves available for distribution to shareholders as at 31 December 2003 comprised the retained profits of RMB1,332,973,000 (2002: RMB1,185,071,000).

24. THE EFFECT ON THE FINANCIAL STATEMENTS ARISING FROM THE DIFFERENCES BETWEEN PRC GENERALLY ACCEPTED ACCOUNTING PRACTICE (“GAAP”) AND HONG KONG GAAP

	Net profit		Net assets	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
As reported under PRC accounting standards	950,531	816,833	14,562,325	14,268,109
Adjustments made to conform with principles generally accepted in Hong Kong				
—Amortisation of land use rights	23,122	30,462	90,504	67,382
—Valuation, depreciation and amortisation of property, plant and equipment	46,874	35,320	(1,535,958)	(1,582,832)
—Housing benefits charged to retained profits directly under PRC accounting standards	—	(16,838)	—	—
—Loss on disposal of staff quarters	—	—	(8,237)	(8,237)
—Deferred taxation	(4,279)	(10,877)	(29,507)	(25,228)
—Interest accrued on held-to-maturity securities	—	(7,077)	—	—
—Fair value of investments in securities	(9,067)	9,067	—	9,067
—Others	(1,408)	(2,445)	—	—
As reported under accounting principles generally accepted in Hong Kong	1,005,773	854,445	13,079,127	12,728,261

25. OTHER COMMITMENTS

As at 31 December 2003, the Company is committed to pay Ninglian Ningtong Management Office, an independent third party, a service charge at a fixed rate of 17% of the total toll revenue collected on Nanjing Section per annum for a term of 30 years from 1 January 2000.

notes to the financial statements

For the year ended 31 December 2003

26. RETIREMENT BENEFITS SCHEME

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau (the "Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2002: 21%) of the monthly salary in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

27. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	2003	2002
	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment in respect of the toll roads expansion project contracted for but not provided in the financial statements	<u>3,049,193</u>	<u>—</u>

28. RELATED PARTY TRANSACTIONS

(a) During the year, the Group has the following significant transactions with an associate:

Name of associate	Nature of transactions	2003	2002
		RMB'000	RMB'000
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road usage fee received	<u>7,500</u>	<u>9,000</u>

The road usage fee income represents the amount paid by Jiangsu Kuailu Bus Transportation Stock Co., Ltd. to the Company for usage of the Shanghai-Nanjing Expressway, and is calculated with reference to the number of buses passing through the expressway at a mutually agreed rate.

28. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) At the balance sheet date, the Group and the Company have current accounts with the following associates:

Name of associates	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from:				
Jiangsu Yangzte Bridge Co., Ltd.	2,755	—	1,192	—
Suzhou Sujiahang Expressway Co., Ltd.	1,101	1,864	689	1,864
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	439	—	439	—
	<u>4,295</u>	<u>1,864</u>	<u>2,320</u>	<u>1,864</u>
Amounts due to:				
Jiangsu Yangzte Bridge Co., Ltd.	1,210	1,064	1,210	1,064
Suzhou Sujiahang Expressway Co., Ltd.	458	—	374	—
	<u>1,668</u>	<u>1,064</u>	<u>1,584</u>	<u>1,064</u>

The balances represent receipts of toll fees collected and expenses paid on behalf of the Group, which are unsecured, interest free and repayable on demand. The above current accounts were included in other receivables and other payables on the balance sheet.

29. COMPARATIVE FIGURES

- (a) Other taxes payable, including business tax payable and value added tax payable, of RMB11,736,000 and RMB9,972,000 included in the Group's and the Company's balance sheet, respectively, at 31 December 2002 were reclassified from taxation to other payables to give a fairer presentation and to conform with current year's presentation.
- (b) Amortisation of goodwill of RMB11,768,000 and release of negative goodwill of RMB519,000 respectively included in share of results of associates in prior year were restated as separate items in the income statement to give a fairer presentation and to conform with current year's presentation.