

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

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

Company

	1999							
(In RMB'000)	Expressways and structures	Buildings	Safety, communic- ation and signalling equipment	Toll station and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Cost								
Beginning of year	1,644,476	19,147	139,830	14,187	7,694	3,428	29,334	1,858,096
Additions	31	196	8,264	347	3,885	418	14,015	27,156
Transfers	149	3,634	1,587	23,785	–	–	(29,155)	–
End of year	1,644,656	22,977	149,681	38,319	11,579	3,846	14,194	1,885,252
Accumulated depreciation and impairment loss								
Beginning of year	35,870	1,138	35,284	4,488	1,662	1,262	–	79,704
Charges for the year	18,498	587	15,703	5,144	933	594	–	41,459
End of year	54,368	1,725	50,987	9,632	2,595	1,856	–	121,163
Net book value								
End of year	1,590,288	21,252	98,694	28,687	8,984	1,990	14,194	1,764,089
Beginning of year	1,608,606	18,009	104,546	9,699	6,032	2,166	29,334	1,778,392

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999
(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

4. LAND USE RIGHTS

	Group		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Cost				
Beginning of year	363,299	363,299	266,197	266,197
Additions from consolidation of AGJECL (Note 7)	223,838	—	—	—
End of year	587,137	363,299	266,197	266,197
Accumulated amortisation				
Beginning of year	13,397	8,683	11,073	8,086
Additions from consolidation of AGJECL (Note 7)	5,048	—	—	—
Charges for the year	5,068	4,714	3,314	2,987
End of year	23,513	13,397	14,387	11,073
Net book value				
End of year	563,624	349,902	251,810	255,124
Beginning of year	349,902	354,616	255,124	258,111

As of 31st December, 2000, AGJECL has not yet obtained the certificate of land use right where Gao Jie Expressway situates.

5. INTANGIBLE ASSETS

	Group	
	2000 RMB'000	1999 RMB'000
Cost		
Technology know-how	7,920	—
Accumulated amortization		
Technology know-how	—	—
Net	7,920	—

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

6. INVESTMENT IN CONSOLIDATED SUBSIDIARIES

	Group	
	2000	1999
	RMB'000	RMB'000
Unlisted investments, at cost	204,760	37,170
Share of post-acquisition undistributed results	67,242	22,420
Amounts due from subsidiaries	818,134	313,295
	1,090,136	372,885
Less: Amounts due from subsidiaries expected to be repaid within 12 months	(136,000)	(43,000)
	954,136	329,885

Details of the Company's subsidiaries, all of which are limited liability companies, as of 31st December, 2000 and 1999 were as follows:

Name of subsidiary	Country of incorporation and date of incorporation	Company's interest		Registered capital		Principal activities
		2000	1999	2000 RMB'000	1999 RMB'000	
Xuan Guang Expressway Company Limited ("XGECL")	PRC 25th July, 1998	51%	51%	71,880	71,880	Management and operation of expressway
Anhui Wantong Technology Development Company Limited ("AWTD")	PRC 12th May, 1999	75.5%	51%	20,000	1,000	Development, production and sales of computer software and hardware
Anhui Gai Jie Expressway Company Limited ("AGJECL") (Note 7)	PRC 23rd July, 1997	51%	30%	300,000	300,000	Management and operation of expressway

Notes to the Financial Statements (Cont'd)

*For the years ended 31st December, 2000 and 1999
(Amounts expressed in Renmibi ("RMB") unless otherwise stated)*

6. INVESTMENT IN CONSOLIDATED SUBSIDIARIES (Cont'd)

Investment in XGECL is an investment in a co-operative joint venture established by the Company and Xuancheng Highway Management Company ("XHMC"). Total investment in XGECL from the Company and XHMC is RMB 718.8 million. The term of the joint venture contract is for a period of 30 years from 25th July 1998, the date of establishment of XGECL. According to the joint venture contract, all of XGECL's profit after the deduction of administrative costs, daily operational expenses and taxation but before depreciation and amortisation, will be distributed to the Company until it has recovered its total initial investment of RMB366.6 million. Thereafter, net profit will be distributed to the Company and Xuancheng Highway Management Company in proportion to their respective equity contributions. Upon liquidation of XGECL, any undistributed profit will be divided between the Company and Xuancheng Highway Management Company in proportion to their respective pre-liquidation contributions to registered capital. Thereafter, any residual assets as well as management of XGECL will revert unconditionally to Xuancheng Highway Management Company.

The amounts due from subsidiaries represents the Company's share of the total investment in XGECL and AGJECL in excess of the Company's respective share of the registered capital of XGECL and AGJECL. These amounts are unsecured, interest free and have no fixed repayment terms.

On 12th May, 1999, the Company and other investors established AWTD. The registered capital was RMB 1,000,000 and the Company owned 51% equity interest in AWTD. In 2000, AWTD increased the registered capital to RMB 20,000,000, of which the Company injected RMB 10,000,000 in cash. After the registered capital increment, the Company owns 75.5% equity interest in AWTD.

7. INVESTMENT IN AN ASSOCIATE

	Group and Company	
	2000	1999
	RMB'000	RMB'000
Investment, at cost	—	90,000
Share of post-acquisition undistributed result	—	33,051
Amount due from an associate	—	358,800
	—	481,851
Less: Amount due from an associate expected to be repaid within 12 months	—	(47,000)
Total	—	434,851

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

7. INVESTMENT IN AN ASSOCIATE (Cont'd)

In July, 1997, the Company entered into a co-operative joint venture agreement with AEHC to establish AGJECL. Total investment in AGJECL from the Company and AEHC is RMB 1,844 million. The Company originally owned a 30% equity interest of AGJECL. In November 2000, the Company acquired additional 21% interest in AGJECL from AEHC for a consideration of RMB 387,240,000. As of 31st December, 2000, the Company had contributed RMB 746,820,000 (1999: RMB 448,800,000) into AGJECL, and owns 51% equity interest in AGJECL. Hence, the assets and liabilities of the AGJECL has been included in the Group's consolidated financial statements as at 31st December, 2000.

The term of the joint venture is 32 years from the date of establishment of AGJECL. According to the revised joint venture contract, from the commencement of the operation AGJECL to the Company's acquisition of additional 21% equity interest in AGJECL from AEHC, the Company will be entitled to 80% of AGJECL's profit after the deduction of administrative costs, daily operational expenses and taxation but before depreciation and amortisation. Thereafter, the Company will be entitled to all of AGJECL's profit after the deduction of administrative costs, daily operational expenses and taxation but before depreciation and amortisation until 30th April, 2006. Thereafter, the Company and AEHC will share the net profit in proportion to their respective contributions to AGJECL's registered capital. Should the Company not be able to recover its original investments amounting to RMB 553,200,000 in AGJECL with its appropriated profit (not including additional appropriated profit after the company's acquisition of additional 21% equity interest in AGJECL) from AGJECL within seven years, AEHC guarantees to compensate the Company for the shortfall in cash. Upon liquidation of AGJECL, any undistributed profit after deduction of stipulated expenses will be divided between the Company and AEHC in proportion to their respective pre-liquidation contributions to registered capital. Thereafter, any residual assets and rights of AGJECL will revert to AEHC.

The amount due from an associate represents the Company's share of the total investment in AGJECL in excess of the Company's share of the registered capital of AGJECL. This amount is unsecured, interest free and has no fixed repayment terms.

8. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	28,103	6,458	25,446	6,073
Interest receivable	3,928	4,609	3,928	4,609
Financial refund receivable	32,429	30,380	32,429	27,418
Others	12,178	5,679	9,455	5,590
	<u>76,638</u>	<u>47,126</u>	<u>71,258</u>	<u>43,690</u>

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999
(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

9. CASH ON HAND AND BANK DEPOSITS

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	15	36	7	35
Savings deposits	131,898	146,064	69,662	120,303
Fixed deposits	154,868	154,657	129,867	154,657
	<u>286,781</u>	<u>300,757</u>	<u>199,536</u>	<u>274,995</u>

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

10. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is RMB1,408,610,000 (1999: RMB1,408,610,000) divided into 1,408,610,000 (1999: 1,408,610,000) shares of RMB1 each. As of 31st December, 2000 and 1999, details of share capital are as follows:

	Percentage	Number of Shares	Amount RMB'000
State shares	65%	915,600,000	915,600
"H" shares	35%	493,010,000	493,010
	<u>100%</u>	<u>1,408,610,000</u>	<u>1,408,610</u>

11. RESERVES

(a) Share Premium

Share premium represents net assets acquired from AEHC, net of deferred taxation on initial recognition of the net assets, in excess of the par value of state shares issued and proceeds from the issuance of "H" shares in excess of their par value, net of expenses relating to the listing of the shares such as underwriting commissions, organisation expenses, fees for professional advisors and promotional expenses.

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

11. RESERVES (Cont'd)

(b) Statutory Surplus Reserve Fund ("SSRF")

In accordance with the Company Law and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of its annual statutory net income (after offsetting any prior years' losses) to the statutory surplus reserve account. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset losses or to issue bonus shares. However, such statutory surplus reserve must be maintained at a minimum of 25% of share capital after such issuance.

(c) Statutory Public Welfare Fund ("SPWF")

According to the relevant financial regulations of the PRC and the Company's articles of association, the Company and its subsidiaries are required to allocate 5% to 10% of its annual statutory net income to a statutory public welfare fund to be used for the collective welfare of the Company and its subsidiaries' employees. For the year ended 31st December, 2000, the directors have recommended allocations to the statutory public welfare fund as follows: 10% (1999: 10%) for the Company, 5% for XGECL (1999: 5%), 5% for AGJECL (1999: 5%) and 5% (1999: 5%) for AWTD. When the statutory Public Welfare Fund is utilised, an equivalent amount should be transferred to discretionary surplus reserve fund.

Discretionary Surplus Reserve Fund is either transferred from the statutory public welfare fund or appropriated at Board of Director's resolution.

(d) Unappropriated profit

Unappropriated profit is to be carried forward for future distribution.

The distribution of dividends is made in accordance with the Company's articles of association and the recommendation of the Board of Directors and is subject to approval by shareholders at general meetings. Pursuant to the Notice [1995] 31 issued by Ministry of Finance on 24th August, 1995, the amount of profit available for distribution to the shareholders will be determined based on the lower of unappropriated profit in the financial statements determined in accordance with (i) PRC accounting standards and regulations, and (ii) IAS.

As at 31st December, 2000, the Group's profit available for distribution to shareholders after transfers to reserves amounted to approximately RMB 331,745,000 (1999: approximately RMB 244,327,000).

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999
(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

11. RESERVES (Cont'd)

(d) Unappropriated profit (Cont'd)

Analysis of the appropriations to SSRF and SPWF in the Statutory Accounts and the financial statements prepared under IAS is as follows:

	Statutory Accounts		Financial statements under IAS	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Net profit for the year	179,703	144,434	227,176	206,156
Transfer to SSRF	(17,970)	(14,443)	(17,970)	(14,443)
Transfer to SPWF	(17,970)	(14,443)	(17,970)	(14,443)
Distributable profit attributable to shareholders	143,763	115,548	191,236	177,270
Unappropriated profit, beginning of year	187,982	128,779	409,787	246,603
Total distributable profit	331,745	244,327	601,023	423,873
Dividends	(28,172)	(56,344)	(56,344)	(14,086)
Unappropriated profit, end of year	303,573	187,983	544,679	409,787

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

12. LONG-TERM PAYABLES TO SHAREHOLDERS

Long-term payables to shareholders included payable to Xuancheng Highway Management Company ("XHMC") and AEHC. These payables arose from XHMC and AEHC's share of total investment in XGECL and AGJECL in excess of their shares of the registered capital of XGECL and AGJECL, respectively. The amount is unsecured and has no fixed repayment terms. Details of the transactions are as follows:

	Group	
	2000	1999
	RMB'000	RMB'000
XHMC's share of total investment in XGECL	352,231	352,231
XHMC's share of registered capital of XGECL	(35,220)	(35,220)
	317,011	317,011
AEHC's share of total investment in AGJECL	1,288,001	—
Accumulated payments made by the Group to AEHC	(206,702)	—
	1,081,299	—
AEHC'S share of registered capital of AGJECL	(147,000)	—
	934,299	—
	1,251,310	317,011

13. DEFERRED TAX LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year	68,369	61,362	65,889	60,538
Transfer from profit and loss account (Note 19)	11,466	7,007	4,913	5,351
Addition from consolidation of AGJECL	15,674	—	—	—
Balance at end of year	95,509	68,369	70,802	65,889

Deferred tax liability as of 31st December, 2000 and 1999 for the Group and the Company has been provided under the liability balance sheet method in respect of significant temporary differences at an applicable EIT rate of 33% and after taking into account of 18% financial refund (Note 19).

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999
(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

14. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Project payables	39,788	7,722	39,614	7,715
Accruals	10,045	2,782	9,670	2,782
Welfare payables	5,167	1,966	2,759	1,843
Other payables	23,690	15,203	14,814	10,565
	<u>78,690</u>	<u>27,673</u>	<u>66,857</u>	<u>22,905</u>

15. REVENUE

	2000	1999
	RMB'000	RMB'000
Revenue		
– Toll income	399,288	346,057
– Sales of products (excluding value added tax)	5,744	2,550
– Service fee	3,734	828
– Others	–	–
Less: Tax related to revenue	(21,941)	(19,002)
Revenue, net	<u>386,825</u>	<u>330,433</u>

Tax related to revenue comprises Business Tax ("BT") and other ancillary taxes. The Company, XGECL and AGJECL are subject to BT at the rate of 5% of toll income. In addition to BT, they are subject to the following types of taxes related to revenue:

- City Development Tax, levied at 5% of BT.
- Education Supplementary Tax, levied at 3% of BT.
- Irrigation Construction Fund Contribution, levied at 0.6‰ of prior year toll income.

In addition to the above, XGECL is also subject to Flood Control Fund Contribution, which is levied at 0.15% of toll income.

AWTD is subject to BT at the rate of 3% of income arising from the services it delivers to customers. In addition to BT, AWTD is subject to the following types of taxes related to revenue:

- City Development Tax, levied at 7% of BT.
- Irrigation Construction Fund Contribution, levied at 1% of BT.