

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

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

16. FINANCE INCOME

	2000 RMB'000	1999 RMB'000
Interest income from bank deposits	9,042	9,141
Interest expense	–	(6,368)
Foreign exchange (loss) gain, net	(968)	3
	<u>8,074</u>	<u>2,776</u>

17. PROFIT BEFORE TAXATION AND MINORITY INTERESTS

Profit before taxation and minority interests in the consolidated statements of income was determined after charging or crediting the following items:

	2000 RMB'000	1999 RMB'000
After crediting:-		
Interest income – bank deposits	<u>9,042</u>	<u>9,141</u>
After charging:-		
Interest expenses on loans	–	6,368
Foreign exchange loss (gain), net	968	(3)
Staff costs		
– Salaries and wages	12,830	13,938
– Provision for staff welfare	2,640	1,798
– Contribution to statutory pension scheme	1,593	2,040
Depreciation of property, plant and equipment	64,088	53,842
Amortisation of Land use rights	5,068	4,714
Loss on disposal of property, plant and equipment	276	221
Auditors' remuneration	<u>1,000</u>	<u>1,000</u>

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999
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18. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2000 RMB'000	1999 RMB'000
Fees for executive directors	—	—
Fees for non-executive directors	—	—
Fees for supervisors	—	—
Other emoluments for executive directors		
– Basic salaries and allowances	724	447
– Bonus	60	37
Other emoluments for non-executive directors	—	—
Other emoluments for supervisors	332	206
	<u>1,116</u>	<u>690</u>

No directors or supervisors waived any emoluments during each of the two years ended 31st December, 2000 and 1999.

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

	2000 RMB'000	1999 RMB'000
Basic salaries and allowances	539	344
Bonus	45	29
	<u>584</u>	<u>373</u>
Number of directors	4	4
Number of supervisors	1	1
Number of senior executives	—	—
	<u>5</u>	<u>5</u>

All the five highest paid individuals were directors or supervisors of the Company, their emoluments have been included in Note 18(a). The emoluments paid to each of the five highest paid individuals (including directors, supervisors and employees) during the year ended 31st December, 2000 and 1999 were less than RMB1,000,000.

During the year ended 31st December, 2000, no emoluments were paid to the five highest paid individuals (including directors, supervisors and employees) as an inducement to join the Company or as compensation for loss of office.

Notes to the Financial Statements (Cont'd)

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

19. INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statements of income comprised:

	2000 RMB'000	1999 RMB'000
Income tax expense		
– Current income tax expense	65,946	54,872
– Financial refund receivable	(32,429)	(29,930)
	<hr/>	<hr/>
	33,517	24,942
– Deferred	11,466	7,007
	<hr/>	<hr/>
	44,983	31,949
Share of income tax of an associate	20,192	5,833
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	65,175	37,782
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The Company, XGECL and AGJECL are subject to Enterprise Income Tax ("EIT") levied at a rate of 33% of taxable income based on its audited accounts prepared in accordance with the laws and regulations in the PRC.

Pursuant to relevant documents issued by Anhui Provincial People's Government, the Company was granted financial refunds equal to 18% of the Company's taxable income in respect of EIT paid.

Pursuant to Cai Shui [2000] No.99 issued in October, 2000, the above preferential tax treatment relating to the Company will remain effective until 31st December, 2001.

AWTD is registered in the Hefei High Technology Industry Development Zone as a high-tech company. Pursuant to relevant regulations on preferential policies on EIT contained in the Notice dated 29th March, 1994, issued by the Ministry of Finance and the State Taxation Bureau, AWTD's applicable EIT rate is at a reduced rate of 15% of taxable income. In addition, based on Notice [1999] 363 issued by the Anhui Tax Bureau, newly established high-tech enterprises would be exempted from EIT for two years, from the first profit making year.

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

Notes to the Financial Statements (Cont'd)

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

19. INCOME TAX EXPENSE (Cont'd)

(b) The reconciliation of the applicable tax rate to the effective tax rate is as follows:

	2000		1999	
	RMB'000		RMB'000	
Accounting profit before taxation and minority interests	<u>293,353</u>	<u>100%</u>	<u>244,146</u>	<u>100%</u>
Tax at the effective tax rate of 15%	<u>44,003</u>	<u>15%</u>	<u>36,622</u>	<u>15%</u>
Tax effect of expenses that are not deductible in determining taxable profit	<u>649</u>	<u>0.2%</u>	<u>1,224</u>	<u>0.5%</u>
Effect of different tax rate of subsidiaries	<u>20,523</u>	<u>7%</u>	<u>(64)</u>	<u>–</u>
Tax expense in respect of current year	<u>65,175</u>	<u>22.2%</u>	<u>37,782</u>	<u>15.5%</u>

20. DIVIDENDS

	2000	1999
	RMB'000	RMB'000
Dividends paid		
– RMB 0.04 (1999: 0.01) per share	<u>56,344</u>	<u>14,086</u>
Dividends proposed after year end		
– RMB 0.02 (1999: 0.04) per share	<u>28,172</u>	<u>56,344</u>

On 12th March, 2001, the Board of Directors proposed a dividend of RMB 0.02 per share for the year ended 31st December, 2000. The proposed dividend distribution is subject to approval by the shareholders at the next annual general meeting.

21. EARNINGS PER SHARE

The calculation of earnings per share for the year ended 31st December, 2000 was based on the profit after taxation and minority interests of approximately RMB 227,176,000 (1999: RMB 206,156,000) divided by the number of shares in issue of 1,408,610,000 shares.

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

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

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

22. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation from profit before taxation and minority interests to cash generated from operations:

	2000 RMB'000	1999 RMB'000
Cash Flows from Operating Activities:		
Profit before taxation and minority interests	293,353	244,146
Adjustments for:		
Depreciation of property, plant and equipment	64,088	53,842
Amortisation of Land use rights	5,068	4,714
Loss on disposal of property, plant and equipment	276	221
Share of profit from an associate	(50,783)	(38,884)
Interest income	(9,042)	(9,141)
Interest expenses	—	6,368
Operating profit before working capital changes	302,960	261,266
Decrease (increase) in inventories	226	(2,428)
Increase in trade receivables	(1,665)	(1,792)
Increase in prepayments and other receivables	(2,862)	(27,059)
Decrease (increase) in due from holding company	1,972	(1,972)
Increase in other payables and accruals	27,056	9,214
(Decrease) Increase in provision for taxes	(13,946)	21,602
Increase in due to holding company	2,990	1,263
Cash generated from operations	316,731	260,094

(b) Purchase of property, plant and equipment:

	2000 RMB'000	1999 RMB'000
Increase in property, plant and equipment	71,836	30,216
Add: Payable for purchase of property, plant and equipment, beginning of year	7,016	26,947
Less: Payable for purchase of property, plant and equipment, end of year	(15,162)	(7,016)
Cash paid for acquisition of property, plant and equipment	63,690	50,147

Notes to the Financial Statements (Cont'd)

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

22. NOTES TO CASH FLOW STATEMENTS (Cont'd)

(c) Analysis of the balances of cash on hand and bank deposits:

	2000 RMB'000	1999 RMB'000
Cash on hand	15	36
Savings deposits	131,898	146,064
Fixed deposits	154,868	154,657
	<u>286,781</u>	<u>300,757</u>

(d) Cash flow on acquisition net of cash acquired:

AGJECL was consolidated in the Group's financial statements from 31st December, 2000. The fair value of assets and liabilities of AGJECL as of 31st December, 2000 was as follows:

	31st December, 2000 RMB'000
Cash on hand and bank deposits	64,010
Prepayments and other receivables	2,771
Inventories	1,135
Property, plant and equipment, net	1,558,663
Land use rights	218,790
Other payables and accruals	(7,640)
Provision for taxes	(18,848)
Long-term payable to investors	(1,482,285)
Minority interests	(147,000)
	<u>189,596</u>
Less: balance of investments in AGJECL	(189,596)
Add: cash on hand and bank deposits of AGJECL	64,010
	<u>64,010</u>
Net increase in cash on hand and bank deposits from acquisition of AGJECL	64,010
Cash paid in investment in AGJECL	(298,020)
	<u>(234,010)</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)

23. RELATED PARTY TRANSACTIONS

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

(a) Name of related party and relationship

<u>Name</u>	<u>Relationship with the Company</u>
Anhui Expressway Holding Company ("AEHC")	The parent company

(b) Related party transactions

During the years ended 31st December, 2000 and 1999, significant related party transactions had been disclosed in Note 7 and Note 12.

(c) Related party balances

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Due from AEHC	<u>–</u>	<u>1,972</u>	<u>–</u>	<u>1,972</u>
Due to AEHC	<u>7,153</u>	<u>4,163</u>	<u>5,646</u>	<u>4,163</u>

Amounts due from and due to the holding company as of 31st December, 2000 and 1999 mainly arose from the above transactions and expenses paid on behalf of each other. These amounts are interest-free and have no fixed repayment terms.

Notes to the Financial Statements (Cont'd)

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24. FINANCIAL INSTRUMENTS

(a) Fair values

The following methods and assumptions were used to estimate the fair value of each major class of the Group's financial instruments for which it is practicable to estimate that value:

(i) *Cash on hand and bank deposits*

The carrying amount approximates fair value because these assets either carry a current rate of interest or have a short period of time between the origination of the cash deposits and their expected maturity.

(ii) *Prepayments and other receivables, provision for taxes and other payables and accruals*

The carrying amount of prepayments and other receivables, provision for taxes, other payables and accruals approximates their fair value because these are subject to normal trade credit terms.

(iii) *Balances with related parties*

No disclosure of fair values is made for balances with related parties as it is not practicable to determine their fair values with sufficient reliability since these balances are non-interest bearing and have no fixed repayment terms.

(b) Credit risk

The carrying amounts of cash on hand and bank deposits, receivables and other current assets represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentrations of credit risk.

25. COMMITMENTS

Capital commitments as of 31st December, 2000 mainly relates to investment commitment for AGJECL of RMB 193,620,000.

Notes to the Financial Statements (Cont'd)

For the years ended 31st December, 2000 and 1999

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

26. CHANGE IN ACCOUNTING POLICY

During 2000, the Company changed its accounting policy with respect to the treatment of dividends declared after the balance sheet date. To conform to the treatment in IAS 10 "Events After the Balance Sheet Date", the Company now discloses the dividends declared after the balance sheet date as a subsequent events rather than recognizes those dividends as a liability at the balance sheet date. This change in accounting policy has been accounted for retrospectively. The comparative consolidated financial statements have been restated to conform to the new policy. The effect of the change is an increase in unappropriated profit and reserves as of 1st January, 1999, 1st January, 2000 and 31st December, 2000 of approximately RMB 14,086,000, RMB 56,344,000 and RMB 28,172,000.

27. IMPACT OF IAS ADJUSTMENTS ON NET PROFIT/NET ASSETS

The Group has prepared a separate set of statutory accounts in accordance with PRC laws and financial regulations ("PRC GAAP"). Differences between PRC GAAP and IAS resulted in differences in the reported balances of net assets and net profit of the Group which are summarised and explained as follows:

	Net profit		Net Assets	
	Year ended 31st December,		As of 31st December	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in the statutory accounts	179,703	144,434	2,723,436	2,571,905
IAS adjustments:				
Valuation and depreciation of expressways and structures	64,741	55,328	477,631	412,890
Valuation and amortisation of land use rights	10,008	6,015	67,536	57,528
Recognition of dividends declared after the balance sheet date	—	—	28,172	56,344
Deferred taxation	(24,559)	(7,007)	(92,928)	(68,369)
Organization expenses	(866)	—	(866)	—
Recognition of financial refund	(1,851)	7,386	32,429	34,280
As reported under IAS	227,176	206,156	3,235,410	3,064,578

Notes to the Financial Statements (Cont'd)

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28. SUBSEQUENT EVENTS

(a) Change of state shares

Pursuant to relevant documents issued by MOF, Ministry of Communication and Administration Bureau of State-owned Assets, AEHC went into an agreement on 21st January, 2001 with Huajian Communication and Economic Center ("Huajian"), a state-owned enterprise registered in PRC. According to the agreement, 376,860,000 state shares held by AEHC on behalf of Ministry of Communication were transferred to state-owned legal person shares held and managed by Huajian.

Details of share capital structure after the change of state shares are as follows:

Shareholder	Percentage	Number of Shares
AEHC	38.25%	538,740,000
Huajian	26.75%	376,860,000
Foreign investors	35.00%	493,010,000
	<u>100.00%</u>	<u>1,408,610,000</u>

(b) Dividend appropriation

Pursuant to the resolution made by the Board of Directors subsequent to 31st December, 2000, the Company will propose a final dividend of RMB 0.02 per share for 2000.

29. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation because management believe that current year's presentation is more appropriate to reflect the Group's financial position and operating results.

30. APPROVAL OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS

The financial statements prepared in accordance with IAS were approved by the Board of Directors on 12th March, 2001.