For the years ended 31st December, 2001 and 2000
(Amounts expressed in Renmibi ("RMB") unless otherwise stated)

1. Organization and Operations

Anhui Expressway Company Limited ("the Company") was incorporated in the People's Republic of China ("PRC") on 15th August, 1996 as a joint stock limited company. The Company and its subsidiaries are collectively referred to as the "Group". The principal activities of the Group are operation and management of the following toll roads in Anhui Province:

Toll road	**Length** (km)
Hefei-Nanjing Expressway between Dashushan and Zhouzhuang ("Hening Expressway")	134
National Highway 205 Tian Chang Section ("205 Tian Chang Section")	30
Gaohe-Jiezidun Expressway ("Gao Jie Expressway")	110
Expressway between Xuanzhou and Guangde ("Xuan Guang Expressway")	67

In 1996, the Company acquired the assets and assumed the liabilities relating to operations of the Hening Expressway from Anhui Expressway Holding Company ("AEHC") in exchange for the issuance of 915,600,000 state shares of the Company with par value of RMB1 each to AEHC. The Company issued 493,010,000 overseas-listed foreign investment shares ("H" shares) with a par value of RMB1 each at an issue price of RMB1.89 (HKD 1.77) per share. The "H" shares were listed on the Stock Exchange of Hong Kong Limited.

The ultimate parent company of the Company is AEHC, a state owned enterprise incorporated in the PRC. As of 31st December, 2001, the number of employees of the Company is 570. The registered address of the Company is No. 669 West Changjiang Road, Hefei, Anhui Province, P.R. China.

2. Principal Accounting Policies

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

(a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This basis of accounting differs from that used in the preparation of the Company and the Group's statutory accounts which are prepared in accordance with PRC Accounting Standards for Enterprises and Accounting Regulations of the PRC for Joint Stock Limited Companies ("Statutory Accounts"). The adjustments made to conform the Statutory Accounts of the Group to IFRS are shown in Note 29.

2. Principal Accounting Policies (Cont'd)

(b) Basis of recognition and measurement

Effective from 1st January, 2001, the Group adopted International Accounting Standards ("IAS") 39 "Financial Instruments - Recognition and Measurement" (Note 28). The financial effects of the adopting IAS 39 did not have a significant effect to the opening balances to these financial statements.

(c) Principles of consolidation

The consolidated financial statements include those of the Company and its subsidiaries and also incorporate the Group's interest in associate companies on the basis as set out in Note 2(h) and 2(i) below.

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

(d) Property, plant and equipment and depreciation

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

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

Depreciation of expressways and structures is provided for on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at an average rate of 7%, 6%, 3% and 4% per annum for Hening Expressway, 205 Tian Chang Section, Xuan Guang Expressway and Gao Jie Expressway respectively will approximate the total carrying value of the expressways and structures at the end of the thirty-year concession period.

2. Principal Accounting Policies (Cont'd)

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

Depreciation of property, plant and equipment other than expressways and structures is provided for on a straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account an estimated residual value of 3% of cost. The expected useful lives are as follows:

Buildings	30 years
Safety, communication and signalling equipment	10 years
Toll station and ancillary equipment	7 years
Motor vehicles	6-9 years
Other machinery and equipment	6-9 years

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

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

(e) Leasehold land

Leasehold land is stated at cost less accumulated amortisation. Amortisation of leasehold land in relation to the expressways is provided for on the basis of a sinking fund calculation whereby annual amortisation amounts compounded at an average rate of 7%, 6%, 3% and 4% per annum for Hening Expressway, 205 Tian Chang Section, Xuan Guang Expressway and Gao Jie Expressway respectively will approximate the total cost of the leasehold land at the end of the thirty-year concession period.

Amortisation of leasehold land other than the expressways is provided for on the basis of straight-line method over its beneficial period.

(f) Construction-in-progress

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

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

2. Principal Accounting Policies (Cont'd)

(g) Intangible assets

Intangible assets represent technology know-how and are stated at cost less accumulated amortization and accumulated impairment losses. An assessment of value of intangible assets is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist. Technology know-how is amortised on a straight-line basis over 3 years.

(h) Subsidiaries

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

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

(i) Associates

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

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

(j) Inventories

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

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

2. Principal Accounting Policies (Cont'd)

(k) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

(l) Short-term investments

Marketable securities acquired principally for the purpose of generating profit from short-term fluctuations in the price are classified as held-for-trading financial assets and included in current assets. They are carried at fair value. Changes in the fair value of short-term investments are included in the income statements.

Upon disposal of an investment, the difference between the net disposal proceeds and the carrying amount is included in the income statements.

(m) Cash and cash equivalents

Cash represents cash in hand and deposits with banks (or other financial institutions) which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments, which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(n) Revenue recognition

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

(i) Toll revenue

Income from the operation of toll expressways, net of revenue tax is recognised on a receipt basis.

(ii) Sales of products

Sales of products mainly represent sale of computer software and hardware. Such revenue is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

2. Principal Accounting Policies (Cont'd)

(n) Revenue recognition (Cont'd)

(iii) Rendering of services

Service income is mainly derived from the installation of computer software and hardware and is recognised when services are rendered.

(iv) Interest income

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

(o) Taxation

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

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

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

In addition, there is no change of accounting policies as the result of the effectiveness of revised IAS 12 " Income Taxes", which is effective from 1st January, 2001 (Note 28).

(p) Foreign currency transactions

The Group maintains its books and records in RMB (the "reporting currency"), which is not a freely convertible currency. Transactions in other currencies are translated into the reporting currency at exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated at exchange rates prevailing at that date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences, other than those capitalised as a component of borrowing costs, are recognised in the income statement in the year in which they arise.

2. Principal Accounting Policies (Cont'd)

(q) Borrowing costs

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

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

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

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction of property, plant and equipment that necessarily takes a substantial period of time to get ready for its intended use in which case they are capitalised as part of the cost of that asset. Capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(r) Pension scheme and housing policy

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group's local staff are made monthly to a government agency based on 23% to 27% of the standard salary set by the provincial government, of which 20% to 23% is borne by the Group and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group accounts for these contributions on an accrual basis.

The Group does not hold any staff dormitories and is not required to pay monetary housing subsidies to its employees. Hence, the Group had no sales of dormitories to its employees during the years ended 31st December, 2001.

2. Principal Accounting Policies (Cont'd)

(s) Financial instruments

(i) Definition

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

A financial asset is any asset that is:

(a) cash;

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

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

(d) an equity instrument of another enterprise.

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

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

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

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

(ii) Recognition and measurement

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

(iii) Presentation

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

2. Principal Accounting Policies (Cont'd)

(t) Financial risk factors and financial risk management

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

(i) Credit risks

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

The carrying amounts of cash and cash equivalents, trade receivables, and other current assets represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk with any single counterparty or group counterparties.

(ii) Liquidity risks

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

(iii) Interest rate risk

The interest rates and terms of repayments of short-term and long-term bank borrowings are disclosed in Note 16.

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

(iv) Foreign exchange risk

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

2. Principal Accounting Policies (Cont'd)

(u) Fair value estimation

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

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

(i) Cash and cash equivalents

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

(ii) Trade receivables, prepayments and other receivables, trade payables, provision for taxes and other payables and accruals

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

(iii) Balances with related parties

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

(iv) Borrowings

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

2. Principal Accounting Policies (Cont'd)

(u) Fair value estimation (Cont'd)

(v) Impairment of assets

Property, plant and equipment, intangible assets and investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income statements for items of property, plant and equipment, intangible assets and investments in associates carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

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

Financial instruments are also reviewed for impairment at each balance sheet date.

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

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

2. Principal Accounting Policies (Cont'd)

(w) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(x) Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate ("adjusting events"), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(y) Changes in accounting policy

A change in accounting policy is made only if required by statute, or by an accounting standard setting body, or if the change will result in a more appropriate presentation of events or transactions in the financial statements of the Group.

A change in accounting policy is applied retrospectively unless the amount of any resulting adjustment that relates to prior years is not reasonably determinable, in which case, the change in accounting policy is applied prospectively.

3. Property, Plant and Equipment

Movements in property, plant and equipment were as follows:

Group

(In RMB'000)	2001							
	Expressways and structures	Buildings	Safety, communication and signalling equipment	Toll station and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Cost								
Beginning of year	3,640,598	98,284	241,414	93,516	53,101	14,076	59,096	4,200,085
Additions	—	—	—	—	5,381	—	124,616	129,997
Disposals	—	—	—	—	(248)	—	—	(248)
Transfers	124,945	2,212	40,491	2,903	—	5,205	(175,756)	—
End of year	3,765,543	100,496	281,905	96,419	58,234	19,281	7,956	4,329,834
Accumulated depreciation								
Beginning of year	128,292	5,472	82,455	27,303	13,377	4,278	—	261,177
Charges for the year	56,077	3,090	25,423	13,201	6,100	3,711	—	107,602
Disposals	—	—	—	—	(239)	—	—	(239)
End of year	184,369	8,562	107,878	40,504	19,238	7,989	—	368,540
Net book value								
End of year	3,581,174	91,934	174,027	55,915	38,996	11,292	7,956	3,961,294
Beginning of year	3,512,306	92,812	158,959	66,213	39,724	9,798	59,096	3,938,908

3. Property, Plant and Equipment (Cont'd)

Group

	2000							
(In RMB'000)	Expressways and structures	Buildings	Safety, communication and signalling equipment	Toll station and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Cost								
Beginning of year	2,257,215	23,909	150,204	45,303	14,752	4,809	14,600	2,510,792
Additions from consolidation of AGJECL (Note 6)	1,382,943	63,002	85,562	46,855	31,848	7,921	—	1,618,131
Additions	440	6,364	4,165	1,358	7,175	478	51,856	71,836
Disposals	—	—	—	—	(674)	—	—	(674)
Transfers	—	5,009	1,483	—	—	868	(7,360)	—
End of year	3,640,598	98,284	241,414	93,516	53,101	14,076	59,096	4,200,085
Accumulated depreciation								
Beginning of year	69,027	1,728	51,071	10,932	3,050	2,003	—	137,811
Additions from consolidation of AGJECL (Note 6)	27,666	2,850	12,563	9,829	5,196	1,364	—	59,468
Charges for the year	31,599	894	18,821	6,542	5,321	911	—	64,088
Disposals	—	—	—	—	(190)	—	—	(190)
End of year	128,292	5,472	82,455	27,303	13,377	4,278	—	261,177
Net book value								
End of year	3,512,306	92,812	158,959	66,213	39,724	9,798	59,096	3,938,908
Beginning of year	2,188,188	22,181	99,133	34,371	11,702	2,806	14,600	2,372,981

3. Property, Plant and Equipment (Cont'd)

Company

(In RMB'000)	Expressways and structures	Buildings	Safety, communication and signalling equipment	Toll station and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	2001							
Cost								
Beginning of year	1,645,096	31,377	155,325	39,678	18,500	4,933	58,877	1,953,786
Additions	—	—	—	—	3,182	—	119,249	122,431
Disposals	—	—	—	—	(190)	—	—	(190)
Transfers	122,146	2,017	39,949	2,815	—	4,002	(170,929)	—
End of year	1,767,242	33,394	195,274	42,493	21,492	8,935	7,197	2,076,027
Accumulated depreciation								
Beginning of year	74,908	2,516	69,748	15,204	7,522	2,569	—	172,467
Charges for the year	23,696	999	17,091	5,735	2,244	2,495	—	52,260
Disposals	—	—	—	—	(185)	—	—	(185)
End of year	98,604	3,515	86,839	20,939	9,581	5,064	—	224,542
Net book value								
End of year	1,668,638	29,879	108,435	21,554	11,911	3,871	7,197	1,851,485
Beginning of year	1,570,188	28,861	85,577	24,474	10,978	2,364	58,877	1,781,319

3. Property, Plant and Equipment (Cont'd)

Company

	2000							
(In RMB'000)	Expressways and structures	Buildings	Safety, communication and signalling equipment	Toll station and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Cost								
Beginning of year	1,644,656	22,977	149,681	38,319	11,579	3,846	14,194	1,885,252
Additions	440	5,447	4,161	1,359	6,921	219	49,987	68,534
Transfers	—	2,953	1,483	—	—	868	(5,304)	—
End of year	1,645,096	31,377	155,325	39,678	18,500	4,933	58,877	1,953,786
Accumulated depreciation								
Beginning of year	54,368	1,725	50,987	9,632	2,595	1,856	—	121,163
Charges for the year	20,540	791	18,761	5,572	4,927	713	—	51,304
End of year	74,908	2,516	69,748	15,204	7,522	2,569	—	172,467
Net book value								
End of year	1,570,188	28,861	85,577	24,474	10,978	2,364	58,877	1,781,319
Beginning of year	1,590,288	21,252	98,694	28,687	8,984	1,990	14,194	1,764,089

4. Leasehold Land

Movements in leasehold land were as follows:

	Group		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
Beginning of year	**587,137**	363,299	**266,197**	266,197
Additions from consolidation of AGJECL (Note 6)	**—**	223,838	**—**	—
Additions	**13,714**	—	**13,714**	—
End of year	**600,851**	587,137	**279,911**	266,197
Accumulated amortisation				
Beginning of year	**23,513**	13,397	**14,387**	11,073
Additions from consolidation of AGJECL (Note 6)	**—**	5,048	**—**	—
Charges for the year	**9,022**	5,068	**3,832**	3,314
End of year	**32,535**	23,513	**18,219**	14,387
Net book value				
End of year	**568,316**	563,624	**261,692**	251,810
Beginning of year	**563,624**	349,902	**251,810**	255,124

As of 31st December, 2001, AGJECL had not yet obtained the certificate of use rights of land where Gao Jie Expressway situates.

5. Intangible Assets

Intangible assets represented technology know-how and the movements were as follows:

	Group	
	2001	2000
	RMB'000	RMB'000
Cost		
Beginning of year	**7,920**	—
Additions	**270**	7,920
End of year	**8,190**	7,920
Accumulated amortization		
Beginning of year	**—**	—
Charges for the year	**2,640**	—
End of year	**2,640**	—
Net book value		
End of year	**5,550**	7,920
Beginning of year	**7,920**	—

6. Investment in Consolidated Subsidiaries

	Company	
	2001	2000
	RMB'000	RMB'000
Unlisted investments, at cost	**239,760**	204,760
Share of post-acquisition undistributed results	**129,454**	67,242
Amounts due from subsidiaries	**916,519**	818,134
	1,285,733	1,090,136
Less: Amounts due from subsidiaries expected to be repaid within 12 months	**(176,000)**	(136,000)
	1,109,733	954,136

6. Investment in Consolidated Subsidiaries (Cont'd)

Details of the Company's subsidiaries, all of which are limited liability companies, as of 31st December, 2001 were as follows:

Name of subsidiary	Country of incorporation and date of incorporation	Company's interest		Registered capital		Principal activities
		2001	2000	2001 RMB'000	2000 RMB'000	
Anhui Gao Jie Expressway Company Limited ("AGJECL")	PRC 23rd July, 1997	**51% (directly hold)**	51% (directly hold)	**300,000**	300,000	Management and operation of expressway
Xuan Guang Expressway Company Limited ("XGECL")	PRC 25th July, 1998	**51% (directly hold)**	51% (directly hold)	**71,880**	71,880	Management and operation of expressway
Anhui Wantong Technology Development Company Limited ("AWTD")	PRC 12th May, 1999	**75.5% (directly hold)**	75.5% (directly hold)	**20,000**	20,000	Development, production and sales of computer software and hardware
Tianjin Xinxigang Jiazi Co., Ltd. ("TJXXG")	PRC 20th August, 1999	**52.85% (indirectly hold)**	—	**2,000**	2,000	Consulting and technology development
Beijing Haiwei Investment Co., Ltd. ("BJHW")	PRC 24th May, 2001	**70% (directly hold) 15.79% (indirectly hold)**	—	**50,000**	—	Project management, investment consulting, development of computer software and hardware

6. Investment in Consolidated Subsidiaries (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 RMB1,844 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 RMB387,240,000. As of 31st December, 2001, the Company had contributed RMB940,440,000 (2000: RMB746,820,000) into AGJECL, and owns 51% equity interest in AGJECL. Accordingly, AGJECL is the subsidiary of the Company.

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 RMB553,200,000 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.

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 RMB718.8 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 XHMC in proportion to their respective equity contributions. Upon liquidation of XGECL, any undistributed profit will be divided between the Company and XHMC 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 XHMC.

On 12th May, 1999, the Company and other investors established AWTD. The registered capital was RMB1,000,000 and the Company owned 51% equity interest in AWTD. In 2000, AWTD increased the registered capital to RMB20,000,000, of which the Company additionally injected RMB14,590,000. After the registered capital increment, the Company owns 75.5% equity interest in AWTD.

6. Investment in Consolidated Subsidiaries (Cont'd)

In March 2001, AWTD invested RMB1,400,000 to acquire 70% equity interest in TJXXG. Thereafter, the Company indirectly owns 52.85% equity interest in TJXXG.

On 24th May, 2001, the Company and its two subsidiaries, AGJECL and AWTD, established BJHW, and own 70%, 28% and 2% equity interest in BJHW respectively. Thereafter, the Company owns, directly and indirectly, 85.79% equity interest in BJHW.

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.

7. Investment in Associates

	Group	
	2001 RMB'000	2000 RMB'000
Investment, at cost		
- Beijing Jinwo Century Consulting Co., Ltd. ("BJJW")	**800**	—
- Anhui Highway Real Estate Co., Ltd. ("AHRE")	**2,400**	—
- Tianjin King Fiber Communication Technology Co., Ltd. ("King Fiber")	**900**	—
Sub-total	**4,100**	—
Share of post-acquisition and distributed results		
- BJJW	**—**	—
- AHRE	**—**	—
- King Fiber	**—**	—
- AGJECL (Note 6)	**—**	50,783
Sub-total	**—**	50,783
Total	**4,100**	50,783

On 28th December, 2001, BJHW and other investors established BJJW. The registered capital is RMB2,000,000 and BJHW owns 40% equity interest in BJJW. The principal activities of BJJW are consulting of highway construction, economic information and investment.

7. Investment in Associates (Cont'd)

On 25th December, 2001, AGJECL, AEHC, Anhui Modern Communication Economic Development Co., Ltd., Anhui Highway Supervision Co., Ltd. and other investors established AHRE. The registered capital is RMB12,000,000 and AGJECL owns 20% equity interest in AHRE. The principal activities of AHRE are the development of real estate, estate management, information consulting, etc.

On 30th March, 2001, AWTD and other investors established King Fiber with registered capital is 2,000,000 and AWTD owns 45% equity interest in King Fiber. The principal activities of King Fiber are technology development and consulting service. As of 31st December, 2001, King Fiber had not commenced commercial operations.

8. Inventories

	Group	
	2001	2000
	RMB'000	RMB'000
Raw materials	**—**	—
Work in progress	**1,113**	1,019
Finished goods	**13,692**	2,978
	14,805	3,997
Less: provision for obsolescence	**—**	—
	14,805	3,997

9. Prepayments and Other Receivables

	Group		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**19,648**	28,103	**14,817**	25,446
Interest receivable	**2,213**	3,928	**2,213**	3,928
Financial refund receivable (Note 22(a))	**160**	32,429	**160**	32,429
Others	**23,372**	12,178	**18,262**	9,455
	45,393	76,638	**35,452**	71,258

10. Short-term Investments

	Group	
	2001	2000
	RMB'000	RMB'000
Marketable bonds		
- listed, at market value	**20,560**	—

On 8th June, 2001, BJHW entrusted a total amount of RMB46,800,000 to East Securities Company for investment in government bonds. As of 31st December, 2001, BJHW had received from the investee the return of the investment RMB26,800,000 in cash and RMB20,560,000 in government bonds. Income from the above short-term investment for the year ended 31st December, 2001 amounted to RMB560,000.

11. Cash on Hand and Bank Deposits

	Group		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**36**	15	**6**	7
Savings deposits	**221,598**	131,898	**95,416**	69,662
Fixed deposits	**129,286**	154,868	**129,286**	129,867
	350,920	286,781	**224,708**	199,536

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

12. Share Capital

The authorised, issued and fully paid share capital of the Company is RMB1,408,610,000 (2000: RMB1,408,610,000) divided into 1,408,610,000 (2000: 1,408,610,000) shares with a par value of RMB1 each. As of 31st December, 2001, details of share capital were 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
	100%	1,408,610,000	1,408,610

Pursuant to relevant circulars issued by Ministry of Finance, Ministry of Communication and State Assets Administration Bureau, AEHC entered into an agreement on 21st January, 2001 with Huajian Communication and Economic Center ("Huajian"), a state-owned enterprise registered in the 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 before and after the share transfer were as follows:

	After the share transfer		Prior to the share transfer	
Shareholder	Percentage	Number of shares	Percentage	Number of shares
AEHC	38.25%	538,740,000	65.00%	915,600,000
Huajian	26.75%	376,860,000	—	—
Foreign investors	35.00%	493,010,000	35.00%	493,010,000
	100.00%	1,408,610,000	100.00%	1,408,610,000

13. 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.

(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 prior years' 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, 2001, the directors have recommended allocations to the statutory public welfare fund as follows: 10% (2000: 10%) for the Company, 5% for XGECL (2000: 5%), 5% for AGJECL (2000: 5%) and 5% (2000: 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.

13. Reserves (Cont'd)

(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 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) IFRS.

As of 31st December, 2001, the Group's profit available for distribution to shareholders after transfers to reserves amounted to approximately RMB488,848,000 (2000: approximately RMB331,745,000).

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

	Statutory Accounts		Financial statements under IFRS	
	2001 RMB'000	2000 RMB'000	**2001 RMB'000**	2000 RMB'000
Net profit for the year	**248,119**	179,703	**269,972**	227,176
Transfer to SSRF	**(33,572)**	(17,970)	**(33,572)**	(17,970)
Transfer to SPWF	**(29,272)**	(17,970)	**(29,272)**	(17,970)
Distributable profit attributable to shareholders	**185,275**	143,763	**207,128**	191,236
Unappropriated profit, beginning of year	**303,573**	187,982	**544,679**	409,787
Total distributable profit	**488,848**	331,745	**751,807**	601,023
Dividends	**(84,516)**	(28,172)	**(70,430)**	(56,344)
Unappropriated profit, end of year	**404,332**	303,573	**681,377**	544,679

14. Long-term Payables to Minority Shareholders of Subsidiaries

Long-term payables to minority shareholders of subsidiaries included payable to XHMC and AEHC. These payables arose from XHMC and AEHC's share of total investment in XGECL and AGJECL in excess of their respective registered capital in XGECL and AGJECL, respectively. The amount was unsecured and had no fixed repayment terms. Details of the transactions were as follows:

	Group	
	2001 RMB'000	2000 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**	1,288,001
Accumulated payments made by the Group to AEHC	**(407,009)**	(206,702)
	880,992	1,081,299
AEHC's share of registered capital of AGJECL	**(147,000)**	(147,000)
	733,992	934,299
	1,051,003	1,251,310

15. Deferred Tax Liabilities

	Group		Company	
	2001 RMB'000	2000 RMB'000	**2001 RMB'000**	2000 RMB'000
Balance at beginning of year	**95,509**	68,369	**70,802**	65,889
Transfer from profit and loss account (Note 22)	**17,755**	11,466	**4,372**	4,913
Addition from consolidation of AGJECL	**—**	15,674	**—**	—
Balance at end of year	**113,264**	95,509	**75,174**	70,802

Deferred tax liabilities as of 31st December, 2001 for the Group and the Company mainly arose from temporary difference of valuation and depreciation/amortisation of expressways and structures and leasehold and between PRC GAAP and IFRS.

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16. Short-term Borrowings

	Group			
	2001		2000	
	Interest rate per annum	**RMB'000**	Interest rate per annum	RMB'000
Short-term bank borrowings				
- Secured*	**5.58%**	**5,000**	—	—
- Unsecured	**5.3%**	**60,000**	—	—
		65,000		—

* As of 31st December, 2001, secured borrowings were guaranteed by AEHC (2000: Nil).

17. Other Payables and Accruals

	Group		Company	
	2001	2000	**2001**	2000
	RMB'000	RMB'000	**RMB'000**	RMB'000
Project payables	**37,837**	39,788	**37,837**	39,614
Accruals	**10,857**	10,045	**10,664**	9,670
Welfare payables	**6,128**	5,167	**4,274**	2,759
Other payables	**41,070**	23,690	**24,997**	14,814
	95,892	78,690	**77,772**	66,857

18. Revenue

	2001 RMB'000	2000 RMB'000
Revenue		
- Toll income	**581,426**	399,288
- Sales of products (excluding value added tax, Note 22)	**20,473**	5,744
- Service fee	**9,551**	3,734
Less: Tax related to revenue	**(28,866)**	(21,941)
Revenue, net	**582,584**	386,825

19. Finance Income, net

	2001 RMB'000	2000 RMB'000
Interest income from bank deposits	**8,252**	9,042
Interest expense on borrowings	**(2,886)**	—
Foreign exchange gain (loss), net	**13**	(968)
	5,379	8,074

20. 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:

	2001 RMB'000	2000 RMB'000
After crediting:-		
Interest income - bank deposits	**8,252**	9,042
Foreign exchange gain, net	**13**	—
After charging:-		
Interest expenses on loans	**2,886**	—
Foreign exchange loss, net	**—**	968
Staff costs		
- Salaries and wages	**26,102**	12,830
- Provision for staff welfare	**3,508**	2,640
- Contribution to statutory pension scheme	**6,851**	1,593
Depreciation of property, plant and equipment	**107,602**	64,088
Amortisation of leasehold land	**9,022**	5,068
Amortisation of intangible assets	**2,640**	—
Loss on disposal of property, plant and equipment	**7**	276
Auditors' remuneration	**1,080**	1,000

21. Directors', Supervisors' and Senior Executives' Emoluments

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

	2001 RMB'000	2000 RMB'000
Fees for executive directors	—	—
Fees for non-executive directors	—	—
Fees for supervisors	—	—
Other emoluments for executive directors		
- Basic salaries and allowances	**803**	724
- Bonus	**67**	60
Other emoluments for non-executive directors	—	—
Other emoluments for supervisors	**352**	332
	1,222	1,116

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

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

	2001 RMB'000	2000 RMB'000
Basic salaries and allowances	**557**	539
Bonus	**47**	45
	604	584
Number of directors	**4**	4
Number of supervisors	**1**	1
Number of senior executives	—	—
	5	5

21. Directors', Supervisors' and Senior Executives' Emoluments (Cont'd)

All the five highest paid individuals were directors or supervisors of the Company, their emoluments have been included in Note 21(a). The emoluments paid to each of the five highest paid individuals (including directors, supervisors and employees) during the years ended 31st December, 2001 and 2000 were less than RMB1,000,000.

During the years ended 31st December, 2001 and 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.

22. Taxation

(a) Enterprise Income Tax

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

	2001 RMB'000	2000 RMB'000
Income tax expense		
- Current income tax expense	**41,821**	65,946
- Financial refund receivable	**—**	(32,429)
	41,821	33,517
- Deferred	**17,755**	11,466
	59,576	44,983
Share of income tax of an associate	**—**	20,192
	59,576	65,175

The Company, XGECL, AGJECL, BJHW and TJXXG 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 would remain effective until 31st December, 2001.

22. Taxation (Cont'd)

In 2001, the Company was certified as a high-tech company by Anhui Science and Technology Bureau. On 3rd April, the Company was registered in the Hefei High Technology Industry Development Zone. 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, the Company's applicable EIT rate since 2001 is at a reduced rate of 15% of taxable income.

AWTD is registered in the Hefei High Technology Industry Development Zone as a high-tech company. Pursuant to relevant regulations, 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 entitled to full exemption from EIT for the two years commencing from the first profitable year after offsetting all tax losses carried forward. 2001 is the third profitable year.

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

(ii) The reconciliation of the applicable tax rate to the effective tax rate was as follows:

	2001 RMB'000		2000 RMB'000	
Accounting profit before taxation and minority interests	**329,914**	**100%**	293,353	100%
Tax at the applicable tax rate of 15%	**49,487**	**15%**	44,003	15%
Tax effect of expenses that are not deductible in determining taxable profit	**—**	**—**	649	0.2%
Effect of different tax rate of subsidiaries	**10,089**	**3%**	20,523	7%
Tax expense in respect of current year	**59,576**	**18%**	65,175	22.2%

22. Taxation (Cont'd)

(b) Value-Added Tax

AWTD and TJXXG are subject to Value-Added Tax ("VAT") on their sales and purchases, which is levied at 17% on the gross turnover upon sales or purchases of merchandises. Input VAT paid on purchases of raw materials, finished products and other direct input can be used to offset the output VAT on sales.

23. Dividends

	2001 **RMB'000**	2000 RMB'000
Dividends paid		
- Prior year annual dividends: RMB0.02 (2000: 0.04) per share	**28,172**	56,344
- Current interim dividends: RMB0.03 (2000: Nil) per share	**42,258**	—
Total	**70,430**	56,344
Dividends proposed after year end		
- RMB0.03 (2000: 0.02) per share	**42,258**	28,172

On 24th August, 2001, the Board of Directors proposed an interim dividend of RMB0.03 per share, totalling RMB42,258,000 for 2001.

On 4th March, 2002, the Board of Directors proposed a final dividend of RMB0.03 per share, totalling RMB42,258,000 for 2001. The proposed final dividend distribution is subject to approval by the shareholders at the next annual general meeting.

24. Earnings Per Share

The calculation of earnings per share for the year ended 31st December, 2001 was based on the profit after taxation and minority interests of approximately RMB269,972,000 (2000: RMB227,176,000) 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.

25. Notes to Consolidated Cash Flow Statements

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

	2001 RMB'000	2000 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation and minority interests	**329,914**	293,353
Adjustments for:		
Depreciation of property, plant and equipment	**107,602**	64,088
Amortisation of leasehold land	**9,022**	5,068
Amortisation of intangible assets	**2,640**	—
Loss on disposal of property, plant and equipment	**7**	276
Share of profit from an associate	**—**	(50,783)
Interest income	**(8,252)**	(9,042)
Interest expenses	**2,886**	—
Investment income	**(560)**	—
Operating profit before working capital changes	**443,259**	302,960
(Increase) decrease in inventories	**(10,808)**	226
Decrease (increase) in trade receivables	**40**	(1,665)
Decrease (increase) in prepayments and other receivables	**763**	(2,862)
(Increase) decrease in due from holding company	**(5,162)**	1,972
Increase in other payables and accruals	**51,149**	27,056
Decrease in provision for taxes	**(10,086)**	(13,946)
Increase in due to holding company	**7,060**	2,990
Cash generated from operations	**476,215**	316,731

25. Notes to Consolidated Cash Flow Statements (Cont'd)

(b) Purchase of property, plant and equipment:

	2001 RMB'000	2000 RMB'000
Increase in property, plant and equipment	**129,997**	71,836
Add: Payable for purchase of property, plant and equipment, beginning of year	**15,162**	7,016
Less: Payable for purchase of property, plant and equipment, end of year	**(35,490)**	(15,162)
Cash paid for acquisition of property, plant and equipment	**109,669**	63,690

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

	2001 RMB'000	2000 RMB'000
Cash on hand	**36**	15
Savings deposits	**221,598**	131,898
Fixed deposits	**129,286**	154,868
Marketable bonds	**20,560**	—
	371,480	286,781

25. Notes to Consolidated Cash Flow Statements (Cont'd)

(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:

	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
Leasehold land	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)
	189,596
Less: balance of investments in AGJECL	(189,596)
Add: cash on hand and bank deposits of AGJECL	64,010
Net increase in cash on hand and bank deposits from acquisition of AGJECL	64,010
Cash paid on asquisition of 30% equity interest in AGJECL (Note 6)	(104,400)
Cash paid on acquisition of 21% interest of AGJECL	(193,620)
Cash flow on acquisition net of cash acquired	(234,010)

	2001 RMB'000
Consideration on acquisition of 21% interest of AGJECL	**387,240**
Cash paid in 2000	**(193,620)**
Cash paid in 2001	**(193,620)**

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26. Related Party Transactions

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

(a) Name of related party and relationship

Name	Relationship with the Company
Anhui Expressway Holding Company ("AEHC")	The parent company

(b) Related party transactions

Apart from related party transactions disclosed in Note 6 and Note 16, the Group had the following significant transaction with the related party in 2001:

	2001 RMB'000	2000 RMB'000
Products sold and service rendered to AEHC	**11,010**	—
Toll road management fee from AEHC	**3,080**	—

(c) Related party balances

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Due from AEHC	**5,162**	—	**2,903**	—
Due to AEHC	**14,213**	7,153	**4,213**	5,646

Amounts due from and due to the holding company as of 31st December, 2001 and 2000 mainly arose from the above transactions and expenses paid by the Company and the related party on behalf of each other. These amounts are interest-free and have no fixed repayment terms.

27. Commitments

As of 31st December, 2001, there was no material commitment for the Group.

28. Change in Accounting Policy

From 1st January, 2001, the Group is subject to newly effective IAS 39 "Financial Instruments - Recognition and Measurement" and revised IAS 12 "Income Taxes" (Note 2). There is no significant financial impact caused from adopting these standards on the opening balances of consolidated financial statements.

29. Impact of Ifrs 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"). The differences between PRC GAAP and IFRS in the reported balances of net assets and net profit of the Group are summarised and explained as follows:

	Net profit Year ended 31st December,		**Net Assets As of 31st December**	
	2001 RMB'000	2000 RMB'000	**2001 RMB'000**	2000 RMB'000
As reported in the statutory accounts	**248,119**	179,703	**2,887,039**	2,723,436
IFRS adjustments:				
Valuation and depreciation of expressways and structures	**61,710**	64,741	**539,341**	477,631
Valuation and amortisation of leasehold land	**9,352**	10,008	**76,888**	67,536
Recognition of dividends declared after the balance sheet date	**—**	—	**42,258**	28,172
Deferred taxation	**(17,806)**	(24,559)	**(110,734)**	(92,928)
Organization expenses	**866**	(866)	**—**	(866)
Recognition of financial refund	**(32,269)**	(1,851)	**160**	32,429
As reported under IFRS	**269,972**	227,176	**3,434,952**	3,235,410

30. Subsequent Events

Pursuant to the resolution made by the Board of Directors subsequent to 31st December, 2001, the Company proposed a final dividend of RMB0.03 per share for 2001.

31. Comparative Figures

Certain 2000 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.

32. Approval of Financial Statements Prepared in Accordance with Ifrs

The financial statements prepared in accordance with IFRS were approved by the Board of Directors on 4th March, 2002.