

31 December 2002

## 1. CORPORATE INFORMATION

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

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

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

## 2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

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

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 33: "Discontinuing operations"
- SSAP 34: "Employee benefits"

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

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 38 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated at weighted average exchange rates for the year, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. Since the Company does not have overseas subsidiaries, the adoption of the SSAP has no material effect on the financial statements.

SSAP 15 (Revised) prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the cash flow statement set out on page 39 of the financial statements and the notes thereto have been revised in accordance with the new requirements.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. The adoption of the SSAP has no impact on the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits.

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fundamental accounting concept

These financial statements have been prepared under the going concern concept notwithstanding the net current liabilities position of the Group of Rmb870,690,000 as of 31 December 2002 because long term banking facilities aggregating to Rmb1.2 billion and Rmb1.27 billion granted by China Construction Bank and Industrial and Commercial Bank of China, respectively, are available to the Group. As of 31 December 2002, amounts of Rmb300 million and Rmb1,089 million, respectively, were utilised.

#### Basis of accounting

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

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### Subsidiaries

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

#### Associates

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

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

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

#### Goodwill

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### **Goodwill (cont'd)**

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

SSAP 30 "Business combination" was adopted from 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill on acquisitions which occurred prior to 1 January 2001 to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

#### **Negative goodwill**

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

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

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

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

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

#### **Related parties**

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

#### Impairment of assets

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

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

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

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

#### Fixed assets and depreciation

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

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

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Fixed assets and depreciation (cont'd)

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

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

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

#### Operating rights

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

Amortisation is provided on a straight-line basis over the periods of the operating rights granted to the Group.

#### Long term investments

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

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

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Short term investments

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

#### Inventories

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

#### Foreign currency transactions

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

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

#### Retirement benefits

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

#### Operating leases

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

#### Revenue recognition

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

- (a) toll revenue, net of any applicable revenue taxes, when received;
- (b) sale of petroleum products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the petroleum products sold;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (e) dividends, when the shareholders' right to receive payment is established.

#### Tax

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Tax (cont'd)

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

#### Borrowing costs

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

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

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

#### Dividends

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

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

### 4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format. The Group's turnover and contribution to profit from operating activities for the year were derived in Sichuan Province, the PRC. Accordingly, no segment information by geographical segment is presented. The Group has only one business segment in respect of toll operation (with the sale of petroleum products not being material). The following segment information by business segment is presented as additional information only.

	For the year ended 31 December			
	2002		2001	
	Turnover Rmb'000	Contribution to profit/(loss) from operating activities Rmb'000	Turnover Rmb'000	Contribution to profit from operating activities Rmb'000
Toll revenue	767,789	314,918	664,607	301,806
Sale of petroleum products	23,353	(2,296)	—	—
	791,142	312,622	664,607	301,806

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## 5. TURNOVER, REVENUE AND GAINS

An analysis of turnover, revenue and gains is as follows:

	2002 Rmb'000	2001 Rmb'000
Turnover		
Toll revenue		
- Chengyu Expressway	546,665	467,568
- Chengya Expressway	166,381	138,564
- Chengbei Exit Expressway	31,471	31,579
- Zigong Ring Roads	23,397	22,349
- Toll Bridge and Roads in Luzhou	41,250	41,120
	809,164	701,180
Sale of petroleum products	23,353	—
	832,517	701,180
Less: revenue taxes	(41,375)	(36,573)
	791,142	664,607
Other revenue		
Rental income	9,652	6,667
Road administration charges	6,701	6,947
Interest income	6,523	12,403
Income from short term investments	2,144	—
Miscellaneous	7,057	6,695
	32,077	32,712
Gains		
Negative goodwill recognised	321	80
Gain on disposal of a subsidiary	111	—
Gain on disposal of fixed assets	80	—
Exchange gains	—	2,353
Gain on disposal of an associate	—	133
	512	2,566
Other revenue and gains	32,589	35,278



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## 6. PROFIT FROM OPERATING ACTIVITIES

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

	2002 Rmb'000	2001 Rmb'000
Depreciation	192,490	179,513
Amortisation of operating rights	24,991	24,991
Goodwill arising on acquisition of an associate:		
Amortisation for the year	216	54
Minimum lease payments under operating leases:		
Land and buildings	1,050	1,162
Auditors' remuneration	1,441	1,360
Staff costs (excluding directors' remuneration (note 8)):		
Wages and salaries	54,298	49,955
Pension contributions	12,316	5,538
Accommodation benefits	2,260	1,285
Loss on disposal of fixed assets	—	9,616
Unrealised loss on revaluation of short term listed investments	—	1,548
Bad debt expenses	14,114	—
Impairment of investment in an associate	8,953	—

## 7. FINANCE COSTS

	2002 Rmb'000	2001 Rmb'000
Interest on bank loans wholly repayable within five years	96,907	112,238
Interest on other loans	23,935	22,137
Exchange losses	102	—
	120,944	134,375

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	2002 Rmb'000	2001 Rmb'000
Fees	—	—
Other emoluments for directors:		
Basic salaries and allowances and benefits in kind	1,149	1,232
Pension scheme contributions	750	26
	1,899	1,258

Basic salaries, allowances and benefits in kind include Rmb130,000 (2001: Rmb130,000) payable to one independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

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

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## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (cont'd)

Except for one independent non-executive director who waived her remuneration in the amount of Rmb130,000, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

## 9. TAX

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

Pursuant to an approval document "Wai Jing Mao Zi Shen Zi (1998) No. 15" dated 17 March 1998 issued by the Ministry of Foreign Trade and Economic Co-operation, the Company acquired the legal person status of a Sino-foreign joint stock limited company. Upon the application of the Company and pursuant to a certificate issued by the Sichuan Provincial Branch of the State Tax Bureau dated 25 August 1998, the Company is exempted from Enterprise Income Tax ("EIT") for the first two years commencing from 1 January 1998, and at 50% of the applicable EIT rate from the third to fifth years.

Pursuant to documents "Cai Shui [2001] No. 202" and "Guo Shui Fa [2002] No. 47" issued by the State Tax Bureau and approval documents "Chuan Guo Shui Han [2002] No. 244" dated 16 October 2002 and "Chuan Guo Shui Zhi Han [2002] No. 30" dated 21 November 2002 issued by Sichuan Provincial Branch of State Tax Bureau:

- For the two years from 1 January 2001 to 31 December 2002, the Company was required to pay EIT at 50% of the preferential rate of 15%; and
- For the eight years from 1 January 2003, the Company will be required to pay EIT at the preferential rate of 15%.

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

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

Tax charge for the year is as follows:

	2002 Rmb'000	2001 Rmb'000
Group:		
The PRC	22,924	32,356
Overprovision in prior year	(10,813)	—
	12,111	32,356
Share of tax attributable to:		
Associates	1,057	351
Tax charge for the year	13,168	32,707

No provision for deferred taxation has been made because there was no material timing difference at the balance sheet date.

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## 10.NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is Rmb249,134,000 (2001: Rmb217,424,000).

## 11.DIVIDEND

	2002 Rmb'000	2001 Rmb'000
Proposed final dividend - Rmb0.03 (2001: Rmb0.03) per share	76,742	76,742

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and is included in the proposed final dividend reserve account within the capital and reserve section of the balance sheet.

## 12.EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of Rmb210,305,000 (2001: Rmb174,576,000) and 2,558,060,000 (2001: 2,558,060,000) Domestic and H Shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2001 and 2002 have not been disclosed as no diluting events existed during the years.

## Notes to Financial Statements (cont'd)

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### 13. FIXED ASSETS

#### Group

	At 1 January 2002 Rmb'000	Additions/ provided during the year Rmb'000	Disposals Rmb'000	Disposal of a subsidiary Rmb'000	Transfers Rmb'000	At 31 December 2002 Rmb'000
<b>Cost:</b>						
Land	807,344	1,780	—	—	5,449	814,573
Expressways, tunnels and bridges	6,309,095	2,669	(1,184)	—	12,474	6,323,054
Safety equipment	371,328	782	—	—	—	372,110
Communication and signalling systems	44,728	35,655	(1,365)	—	80,055	159,073
Toll collection equipment	16,082	13,610	(2,294)	—	24,087	51,485
Buildings	240,777	2,210	(1,293)	—	11,096	252,790
Machinery and equipment	100,182	13,299	(2,500)	(70)	9,916	120,827
Motor vehicles	48,614	9,221	(4,923)	(913)	—	51,999
Construction in progress	113,087	83,091	—	(7,885)	(143,077)	45,216
	8,051,237	162,317	(13,559)	(8,868)	—	8,191,127
<b>Accumulated depreciation:</b>						
Land	83,663	28,185	—	—	—	111,848
Expressways, tunnels and bridges	691,966	90,057	(264)	—	—	781,759
Safety equipment	150,190	36,060	—	—	—	186,250
Communication and signalling systems	25,200	10,233	(825)	—	—	34,608
Toll collection equipment	4,877	2,003	(1,657)	—	—	5,223
Buildings	27,799	7,952	(355)	—	—	35,396
Machinery and equipment	34,181	11,357	(2,072)	(22)	—	43,444
Motor vehicles	19,149	6,643	(3,588)	(204)	—	22,000
	1,037,025	192,490	(8,761)	(226)	—	1,220,528
<b>Net book value:</b>						
Land	723,681					702,725
Expressways, tunnels and bridges	5,617,129					5,541,295
Safety equipment	221,138					185,860
Communication and signalling systems	19,528					124,465
Toll collection equipment	11,205					46,262
Buildings	212,978					217,394
Machinery and equipment	66,001					77,383
Motor vehicles	29,465					29,999
Construction in progress	113,087					45,216
	7,014,212					6,970,599

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**13. FIXED ASSETS (cont'd)****Company**

	At 1 January 2002 Rmb'000	Additions/ provided during the year Rmb'000	Disposals Rmb'000	Transfers Rmb'000	At 31 December 2002 Rmb'000
<b>Cost:</b>					
Land	322,964	1,530	—	5,449	329,943
Expressways, tunnels and bridges	3,296,489	2,668	(1,184)	10,140	3,308,113
Safety equipment	212,201	604	—	—	212,805
Communication and signalling systems	42,984	60	(1,365)	51,055	92,734
Toll collection equipment	5,832	13,426	(2,294)	24,087	41,051
Buildings	104,701	178	(1,109)	6,750	110,520
Machinery and equipment	48,570	6,870	(2,062)	—	53,378
Motor vehicles	28,683	5,477	(4,003)	—	30,157
Construction in progress	75,858	52,383	—	(97,481)	30,760
	4,138,282	83,196	(12,017)	—	4,209,461
<b>Accumulated depreciation:</b>					
Land	46,888	10,809	—	—	57,697
Expressways, tunnels and bridges	609,740	43,628	(264)	—	653,104
Safety equipment	117,866	20,605	—	—	138,471
Communication and signalling systems	24,902	5,349	(825)	—	29,426
Toll collection equipment	2,372	934	(1,657)	—	1,649
Buildings	18,887	3,400	(256)	—	22,031
Machinery and equipment	24,188	5,406	(1,950)	—	27,644
Motor vehicles	14,138	4,090	(3,048)	—	15,180
	858,981	94,221	(8,000)	—	945,202
<b>Net book value:</b>					
Land	276,076				272,246
Expressways, tunnels and bridges	2,686,749				2,655,009
Safety equipment	94,335				74,334
Communication and signalling systems	18,082				63,308
Toll collection equipment	3,460				39,402
Buildings	85,814				88,489
Machinery and equipment	24,382				25,734
Motor vehicles	14,545				14,977
Construction in progress	75,858				30,760
	3,279,301				3,264,259

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**14. OPERATING RIGHTS****Group**

	2002 Rmb'000	2001 Rmb'000
Cost:		
At 1 January and 31 December	469,820	469,820
Accumulated amortisation:		
At beginning of year	65,806	40,815
Provided during the year	24,991	24,991
At 31 December	90,797	65,806
Net book value:		
At 31 December	379,023	404,014

**15. PAYMENTS IN ADVANCE**

	2002 Rmb'000	2001 Rmb'000
Payments in advance in respect of acquisition of operating rights	154,036	—

Pursuant to a set of approval documents issued by Sichuan Provincial Government and Sichuan Provincial Department of Communications (the "Relevant Approval") during the year, Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company"), a subsidiary of the Company, was approved to acquire the operating rights of a toll road, which runs in parallel with the Chengbei Exit Expressway, and a toll bridge, which is connected to the Chengbei Exit Expressway, from Chengdu Municipal Department of Communications ("CMDC") for a consideration of approximately Rmb253 million. The toll road pertaining to the operating rights is in the progress of renovation and is expected to be open for traffic by December 2003. Accordingly, the acquisition of the operating rights has not been completed as at the date of approval of these financial statements. According to the Relevant Approval, payments in advance amounting to Rmb154 million were made to CMDC by Chengbei Company during the year. The directors are of the opinion that, subject to the payment of the remaining consideration, there should be no legal impediments for the Group in acquiring the operating rights upon the completion of the renovation of the toll road.

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## 16. NEGATIVE GOODWILL

The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

### Group

	Negative goodwill Rmb'000
Cost:	
At beginning and end of year	3,214
Accumulated recognition as income:	
At beginning of year	80
Recognised as income during the year	321
At 31 December 2002	401
Net book value:	
At 31 December 2002	2,813
At 31 December 2001	3,134

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

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## 17. INVESTMENTS IN SUBSIDIARIES

### Company

	2002 Rmb'000	2001 Rmb'000
Unlisted investments, at cost	810,841	830,341

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment, except for an aggregate amount of Rmb697,000,000 (2001: Rmb672,000,000) due from Sichuan Chengya Expressway Company Limited ("Chengya Company"), Chengbei Co. and Sichuan Expressway Energy Development Company Limited (formerly known as Zigong Jiuda Petrochemical Company Limited), which bear interest at rates ranging from 5.04% to 6.21% (2001: 6.03%) per annum.

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**17. INVESTMENTS IN SUBSIDIARIES (cont'd)**

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

Name	Legal person status	Nominal value of issued/registered capital Rmb'000	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
Sichuan Chengya Expressway Company Limited	Joint stock limited company	800,000	58.75	0.225	Construction and operation of the Chengya Expressway
Chengdu Chengbei Exit Expressway Company Limited	Limited company	135,000	60	—	Construction and operation of the Chengbei Exit Expressway
Chengdu Shuhai Investment Management Company Limited	Limited company	200,000	99.9	—	Investment holding
Zigong Shunan Ring Road Company Limited	Limited company	199,982	—	59.94	Operation of two high grade roads in Zigong
Sichuan Shugong Expressway Engineering Company Limited	Limited company	30,000	95	—	Repairs and maintenance of expressways
Sichuan Shusha Enterprise Company Limited	Limited company	30,000	99.5	—	Development of ancillary services and property
Luzhou Shulu Road Company Limited	Limited company	270,000	—	59.94	Operation of two high grade roads and a toll bridge in Luzhou
Sichuan Shutong Expressway Industrial Company Limited	Limited company	20,000	97.5	—	Construction and operation of the southern part of Dajian Road
Sichuan Expressway Energy Development Company Limited	Limited company	20,000	—	69.65	Trading of petrochemical products
Sichuan Chengyu Expressway Advertising Company Limited	Limited company	1,000	—	59.7	Design and production of advertisements
Mingshan Mingyuan Tea Company Limited	Limited company	7,300	—	36	Sale and production of beverages

During the year, a minority shareholder injected net assets at a fair value of Rmb2,845,000 as its capital contribution in exchange of 38.96% equity interest in Mingshan Mingyuan Tea Company Limited, a subsidiary of Chengya Company, which is a subsidiary of the Company. Further details of this transaction are set out in note 28(c) to the financial statements.



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## 18. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Unlisted investment, at cost	—	—	38,438	38,438
Share of net assets	55,906	52,931	—	—
Goodwill on acquisition	1,892	2,108	—	—
	57,798	55,039	38,438	38,438
Impairment of investment in an associate	(8,953)	—	—	—
	48,845	55,039	38,438	38,438

The Group's share of the accumulative reserves of the associate at 31 December 2002 was Rmb886,000 (2001: Rmb503,000).

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

Name	Legal person status	Percentage of equity attributable to the Group		Principal activities
		2002	2001	
Chengdu Airport Expressway Company Limited	Limited company	25	25	Construction and operation of the New Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	Limited company	20	20	Development and sales of high-tech products
Sichuan Chengya Oil Supply Company Limited	Limited company	27	27	Trading of petroleum products
Chengdu Stone Elephant Lake Communication Restaurant Company Limited	Limited company	32.4	—	Accommodation, meeting reception and entertainment services

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## 19. LONG TERM INVESTMENTS

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Unlisted equity investments, at approximate fair value	34,795	32,225	21,000	21,000

## Notes to Financial Statements (cont'd)

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### 20. INVENTORIES

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Petroleum products	4,047	—	—	—
Spare parts and consumable supplies	5,703	3,483	4,716	3,483
	9,750	3,483	4,716	3,483

### 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Prepayments	22,550	5,109	2,226	2,325
Deposits and other receivables	15,029	28,188	2,257	12,935
	37,579	33,297	4,483	15,260

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### 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Cash and bank balances	298,454	221,648	229,454	128,122
Time deposits with original maturities of three months or less	40,113	52,821	40,113	52,821
Time deposits with original maturities of over three months	69,011	62,447	53,547	47,447
	407,578	336,916	323,114	228,390

### 23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Accruals	11,675	12,753	10,935	11,217
Other liabilities	272,661	248,779	35,831	21,165
	284,336	261,532	46,766	32,382

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## 24. INTEREST-BEARING BANK AND OTHER LOANS

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Bank loans, unsecured	1,681,620	1,588,077	447,185	483,077
Other loans, unsecured	467,600	520,800	—	—
	<b>2,149,220</b>	<b>2,108,877</b>	<b>447,185</b>	<b>483,077</b>
Bank loans repayable:				
Within one year	299,325	140,901	137,890	35,901
In the second year	1,040,050	757,887	40,050	37,887
In the third to fifth years, inclusive	342,245	689,289	269,245	409,289
	<b>1,681,620</b>	<b>1,588,077</b>	<b>447,185</b>	<b>483,077</b>
Other loans repayable:				
Within one year	170,000	200,000	—	—
In the second year	27,600	40,000	—	—
In the third to fifth years, inclusive	20,000	30,800	—	—
Beyond five years	250,000	250,000	—	—
	<b>467,600</b>	<b>520,800</b>	<b>—</b>	<b>—</b>
Total bank and other loans	<b>2,149,220</b>	<b>2,108,877</b>	<b>447,185</b>	<b>483,077</b>
Portion classified as current liabilities	<b>(469,325)</b>	<b>(340,901)</b>	<b>(137,890)</b>	<b>(35,901)</b>
Long term portion	<b>1,679,895</b>	<b>1,767,976</b>	<b>309,295</b>	<b>447,176</b>

The bank loans are unsecured and bear interest at rates ranging from 4.78% to 7.72% (2001: from 4% to 8.06%) per annum.

Bank loans amounting to Rmb482,500,000 (2001: Rmb300,000,000) are guaranteed by Sichuan Highway Development.

The other loans are unsecured and bear interest at rates ranging from 2.55% to 5.76% (2001: from 2.5% to 6.435%) per annum.

## 25. DUE TO THE ULTIMATE HOLDING COMPANY

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

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**26. ISSUED CAPITAL****Group and Company**

	2002 Number of shares	2001 Number of shares	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>
Authorised, issued and fully paid:				
Domestic Shares of Rmb1.00 each	1,662,740,000	1,662,740,000	1,662,740	1,662,740
H Shares of Rmb1.00 each	895,320,000	895,320,000	895,320	895,320
	<b>2,558,060,000</b>	2,558,060,000	<b>2,558,060</b>	2,558,060

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

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

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

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**27. RESERVES**

	Share premium account Rmb'000	Statutory surplus reserve Rmb'000	Statutory public welfare fund Rmb'000	General surplus reserve Rmb'000	Proposed general surplus reserve Rmb'000	Retained profits Rmb'000	Total Rmb'000
<b>Group</b>							
At 1 January 2001	1,413,597	77,401	72,157	93,894	38,452	44,551	1,740,052
Net profit for the year	—	—	—	—	—	174,576	174,576
Transfer from/(to) reserves	—	19,129	17,812	38,452	(38,452)	(36,941)	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	32,987	(32,987)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2001 and beginning of year	1,413,597	96,530	89,969	132,346	32,987	72,457	1,837,886
Net profit for the year	—	—	—	—	—	210,305	210,305
Transfer from/(to) reserves	—	21,355	20,674	32,987	(32,987)	(42,029)	—
Transferred from general surplus reserve to retained profits (note 27 (d))	—	—	—	(8,530)	—	8,530	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	39,986	(39,986)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2002	1,413,597	117,885	110,643	156,803	39,986	132,535	1,971,449
<b>Company</b>							
At 1 January 2001	1,413,597	73,308	69,322	93,751	36,922	223,841	1,910,741
Net profit for the year	—	—	—	—	—	217,424	217,424
Transfer from/(to) reserves	—	16,494	16,494	36,922	(36,922)	(32,988)	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	32,987	(32,987)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2001 and beginning of year	1,413,597	89,802	85,816	130,673	32,987	298,548	2,051,423
Net profit for the year	—	—	—	—	—	249,134	249,134
Transfer from/(to) reserves	—	19,993	19,993	32,987	(32,987)	(39,986)	—
Transferred from general surplus reserve to retained profits (note 27 (d))	—	—	—	(8,530)	—	8,530	—
Proposed general surplus reserve (note 27 (c))	—	—	—	—	39,986	(39,986)	—
Proposed dividends (note 11)	—	—	—	—	—	(76,742)	(76,742)
At 31 December 2002	1,413,597	109,795	105,809	155,130	39,986	399,498	2,223,815

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**27. RESERVES (cont'd)**

- (a) In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, the Company, its subsidiaries and associates are required to allocate 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.
- (b) In accordance with the Company Law of the PRC, the Company, its subsidiaries and associates are required to transfer 5% to 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations applicable to the Company, its subsidiaries and associates, to the statutory public welfare fund ("PWF") which is a non-distributable reserve other than in the event of the liquidation of the Company, its subsidiaries and associates. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the property of the Company, its subsidiaries and associates.
- When the PWF is utilised, an amount equal to the lower of the cost of the assets and the balance of the PWF is transferred from the PWF to the general surplus reserve ("GSR"). The GSR is non-distributable other than in liquidation. On disposal of the relevant assets, the original transfers from the PWF are reversed.
- (c) In addition to the above statutory reserves which are required by the Company Law of the PRC and respective articles of association of the Company, its subsidiaries and associates, the directors proposed for approval at the forthcoming annual general meeting to transfer 20% of its profit after taxation to the general surplus reserve.
- (d) In 2000, the Company provided additional housing benefits to 25 eligible employees of the Company whereby quarters were purchased for these employees. The provision of the additional housing benefits was approved by the Chengdu Housing Committee. The cost of providing the additional housing benefits amounted to Rmb9,465,000 was charged to the profit and loss account for the year 2000. Pursuant to a directive numbered "Cai Kuai [2001] No. 5" issued by the Ministry of Finance of the PRC and a resolution passed by the 2001 General Meeting of Shareholders of the Company held on 28 May 2002, the aforesaid additional housing benefits in an amount of Rmb8,530,000 was approved to be utilised from the general surplus reserve, and the amount has been transferred from general surplus reserve to retained profits during the year.
- (e) According to the relevant regulations in the PRC, the reserve available for distribution is the lower of the amount determined under PRC accounting standards and the amount determined under HK GAAP. The current year's reserve available for distribution is the amount determined under HK GAAP.
- (f) At 31 December 2002, the amount of retained profits of the Company available for distribution as dividend amounted to approximately Rmb329,265,000 (before the proposed final dividend) (2001: Rmb286,046,000).

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## 28. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2002 Rmb'000	2001 Rmb'000
Profit from operating activities	312,622	301,806
Depreciation	192,490	179,513
Amortisation of operating rights	24,991	24,991
Bad debt expenses	14,114	—
Impairment of investment in an associate	8,953	—
Goodwill amortisation	216	54
Negative goodwill recognised as income	(321)	(80)
Loss/(gain) on disposal of fixed assets	(80)	9,616
Gain on disposal of a subsidiary	(111)	—
Gain on disposal of an associate	—	(133)
Loss/(income) from short term investments	(2,144)	1,548
Interest income	(6,523)	(12,403)
Exchange losses	(102)	—
Operating profit before working capital changes	544,105	504,912
Decrease/(increase) in prepayments, deposits and other receivables	(26,528)	3,693
Increase in inventories	(6,197)	(574)
Increase in other payables and accruals	72,497	30,571
Increase/(decrease) in amount due to the ultimate holding company	(1,249)	143,793
EIT paid	(39,046)	(25,675)
Net cash inflow from operating activities	543,582	656,720

### (b) Disposal of a subsidiary

	2002 Rmb'000
Net assets disposed of:	
Property, plant and equipment	8,642
Cash and bank balances	2,324
Prepayments, deposits and other receivables	10,132
Other payables and accruals	(1,212)
Minority interests	(497)
	19,389
Gain on disposal of a subsidiary	111
	19,500
Satisfied by:	
Cash	19,500

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**28. NOTES TO THE CASH FLOW STATEMENT (cont'd)****(b) Disposal of a subsidiary (cont'd)**

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

	2002 Rmb'000
Cash consideration	19,500
Cash and bank balances disposed	(2,324)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	17,176

**(c) Major non-cash transaction**

During the year, a minority shareholder injected net assets at a fair value of Rmb2,845,000 as its capital contribution in exchange of 38.96% equity interest in a subsidiary of Chengya Company, which is a subsidiary of the Company.

	2002 Rmb'000
Net assets injected:	
Property, plant and equipment	1,710
Inventories	70
Prepayments, deposits and other receivables	2,000
Other payables and accruals	(500)
Interest-bearing bank and other loans	(435)
	2,845

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**29. CONTINGENT LIABILITIES**

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Guarantees given to banks in connection with facilities granted to subsidiaries	—	—	1,000,000	1,050,000
	—	—	1,000,000	1,050,000

**30. OPERATING LEASE ARRANGEMENTS**

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

At 31 December 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:



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**30. OPERATING LEASE ARRANGEMENTS (cont'd)**

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Within one year	733	1,050	633	950
In the second to fifth years, inclusive	400	1,033	—	633
After five years	1,000	1,100	—	—
	2,133	3,183	633	1,583

**31. COMMITMENTS**

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Contracted, but not provided for	5,445	22,025	3,580	14,565
Authorised, but not contracted for	142,358	308,925	25,010	99,408
	147,803	330,950	28,590	113,973

Further details of the capital commitments of the Company and the Group as of 31 December 2002 are analysed as follows:

	Group		Company	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
In respect of:				
- Construction work to upgrade the Chengyu Expressway	—	27,481	—	27,481
- Acquisition of the operating rights	98,644	200,000	—	—
- Others	49,159	103,469	28,590	86,492
	147,803	330,950	28,590	113,973

**32. RETIREMENT SCHEME AND EMPLOYEE ACCOMMODATION BENEFITS**

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

During the year, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to Rmb6,138,153 (2001: Rmb5,538,469).

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### 32. RETIREMENT SCHEME AND EMPLOYEE ACCOMMODATION BENEFITS (cont'd)

The Group provided a one-off additional pension contribution to a registered insurance company for eligible employees. The one-off additional pension contribution covered 195 existing long serving employees of the Company. The cost of providing the one-off additional pension contribution amounted to Rmb6,928,154 (2001: Nil) has been charged to the profit and loss account for the year.

According to relevant rules and regulations of Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' average salaries and wages of the last year, limited to a ceiling amount of three times average basic salaries within the geographical area where employees are employed, to an accommodation fund. There are no further obligations on the part of the Group except for such contributions to the accommodation fund. During the year, the Group's contributions to the accommodation fund amounted to Rmb2,260,129 (2001: Rmb1,284,588).

### 33. RELATED PARTY TRANSACTIONS

In the previous years, the Group obtained State loans amounting to Rmb250 million (2001: Rmb250 million) in aggregate pursuant to loan repayment agreements (the "Loan Repayment Agreements") entered into between Sichuan Highway Development, the ultimate holding company of the Company and the Company. The State loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the State loans and pursuant to the Loan Agreements, the State loans were then transferred to the Group. The State loans have been included in other loans as set out in note 24.

At 31 December 2002, the Group's bank loans amounting to Rmb483 million (2001: Rmb300 million) were guaranteed by Sichuan Highway Development.

Under an agreement dated 18 July 2002, the Group purchased three floors in an office building under development, from a subsidiary of Sichuan Highway Development, for a consideration of Rmb49.44 million. Since the purchase consideration represents less than 3% of the book value of the net tangible assets of the Group as disclosed in its latest published audited accounts, no shareholder approval is required for this transaction under the Listing Rules.

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

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### 34. DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER HK GAAP AND PRC GAAP

	Net profit attributable to shareholders for the year ended 31 December		Shareholders' equity as of 31 December	
	2002	2001	2002	2001
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As reported in statutory financial statements of the Group prepared in accordance with PRC GAAP	201,692	168,777	4,541,636	4,416,541
HK GAAP adjustments:				
(a) Repairs and maintenance and other expenses previously recognised as deferred assets under PRC GAAP	49	6,923	(238)	(287)
(b) Accrual for additional accommodation benefits	—	—	(935)	(935)
(c) Provision for bad and doubt debts previously not made under PRC GAAP	(993)	4,453	(2,174)	(1,181)
(d) Tax	10,813	(1,671)	(3,655)	(14,468)
(e) Recognition of investment loss from short term investments	—	(1,830)	—	—
(f) Goodwill eliminated directly against reserves	—	—	(786)	(786)
(g) Dividend	—	—	76,742	76,742
(h) Others	(1,256)	(2,076)	(4,339)	(2,938)
As restated in these financial statements	210,305	174,576	4,606,251	4,472,688

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

### 35. COMPARATIVE AMOUNTS

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

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2003.