

7. Long-term Investment

Pursuant to the agreement dated 8th April 1999 between the Jiangsu Communications Investment Corporation and the Company, on 29th December 2000, the Company acquired from Jiangsu Communications Holding Company Ltd. (formerly know as Jiangsu Communications Investment Corporation) its 17.83% share of registered capital represented 381,185,660 shares in Jiangsu Yangtze Bridge Company Limited ("Yangtze Bridge Company") for a cash consideration of RMB 472,670,218.

Details of the Group and the Company's long term investment as at 31st December 2000 (1999: nil) was as follows:

Name	Country operations and establishment	Date of registration	Equity interest directly held by the Company	Registered capital RMB'000	Principal activities
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge")	PRC	1992.12.31	17.83%	2,137,248	Investment, construction, operation and management of Jiangyin Yangtze River Bridge

8. Long-term Receivable

On 25th December 1998, the Company formed a joint venture named Jiangsu Yicao Highway Co., Ltd. ("Yicao Highway Co.") with Yixing Communications Construction and Development Co., Ltd. ("Yixing Communications Construction Co."). The joint venture period is 10 years from 25th December 1998. Yicao Highway Co. is principally engaged in the construction, operation and management of highway linking Yixing and Caoqiao. The registered capital of Yicao Highway Co. is RMB120 million. The Company and Yixing Communications Construction Co. have contributed RMB 58,800,000 and RMB 61,200,000, representing 49% and 51% respectively of the registered capital of Yicao Highway Co..

Pursuant to the supplementary operating agreement dated 31st December 1998, apart from the capital contribution of RMB58,800,000, the Company is required to provide an additional RMB117,600,000 as a construction loan. As at 31st December 2000, the Company had contributed an aggregate amount of RMB 100,000,000 to Yicao Highway Co. in the form of capital and construction loan. According to the aforesaid agreement, Yixing Communications Construction Co. is authorized by the Company to be solely responsible for the operation and management of Yicao Highway Co. In addition, Yixing Communications Construction Co. shall pay the Company a fixed annual investment return of 17.8% during the operating period of Yicao Highway Co. from 1999. Yixing Investment Corporation, a controlling shareholder of Yixing Communications Construction Co., has guaranteed the payment of the aforesaid investment return. At the end of the operation period, the Company will not be entitled to any further distribution.

8. Long-term Receivable (Cont'd)

Pursuant to the aforesaid agreement, as at 31st December 2000, the Company is entitled to a fixed annual investment return of approximately RMB 17,800,000, of which receipt of capital and construction loan was RMB 6,283,200 (1999: RMB 5,600,000) and interest income was RMB 11,516,800 (1999: 12,372,000).

9. Intangible Assets

	Group and Company	
	2000 RMB'000	1999 RMB'000
Other deferred expenditure		
Cost	39,406	39,406
Less: Accumulated amortisation	(36,218)	(28,415)
Net	3,188	10,991

Other deferred expenditure represents the development costs and electricity capacity cost related to the construction of Shanghai-Nanjing Expressway.

10. Prepayments and Other Receivables

	Group		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Interest receivable	4,498	5,080	4,498	5,080
Financial refund receivable	—	119,164	—	116,407
Due from Yicao Road Co.	17,800	17,972	17,800	17,972
Prepayment for materials and equipment	3,695	1,653	3,365	1,653
Others	15,438	18,130	13,743	24,065
	41,431	161,999	39,406	165,177

11. Share Capital

As at 31st December 2000, the authorised, issued and fully paid share capital of the Company is RMB 5,037,747,500 (1999: RMB 4,887,747,500) divided into 5,037,747,500 shares (1999: 4,887,747,500 shares) with a par value of RMB 1 each. State shares, state legal person shares, legal person shares, H shares and A shares rank pari passu in all respects, except that ownership of state-owned shares, state legal person shares and legal person shares are restricted to PRC legal persons, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

As of 31st December of 2000 and 1999, share capital was as follows:

	2000		1999	
	Number of Shares	Amount RMB'000	Number of Shares	Amount RMB'000
State shares	2,781,743,600	2,781,744	3,376,134,600	3,376,135
State legal person shares	599,471,000	599,471	3,000,000	3,000
Legal person shares	284,532,900	284,533	286,612,900	286,613
H shares	1,222,000,000	1,222,000	1,222,000,000	1,222,000
A shares	150,000,000	150,000	—	—
Total	5,037,747,500	5,037,748	4,887,747,500	4,887,748

- (a) On 23rd June 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited on 27th June 1997 with a par value of RMB 1 each at an issue price of HKD3.11 (RMB3.33) per share.
- (b) On 22nd December 2000, the Company obtained approval from the China Securities Regulatory Commission, and issued 150,000,000 A shares of par value of RMB 1 each to domestic public investors at an issue price of RMB 4.20. The total proceeds from the issuance of A shares, net of expenses related to the listing of the shares amounted to RMB 614,500,000. The A shares were subsequently listed on the Shanghai Stock Exchange on 16th January 2001.

12. Reserves

(a) Share Premium

Share premium represents premium arising from issuance of legal person shares, proceeds from the issuance of H shares and A shares in excess of their par value, net of expenses relating to the listing of the shares such as underwriting commissions, fees for professional advisors and promotional expenses, and also premium arising from the capitalisation of shareholder's loan and advances and land use rights.

(b) Revaluation Surplus

The valuation surplus arising from the valuation of the Company's property interests in six service areas along Shanghai-Nanjing Expressway and staff dormitory facilities resulting from the valuation carried out by the international asset valuer (Note 3(a)) is recorded as revaluation surplus. Each year, the Group and the Company transfers an amount equal to the difference between the depreciation based on the revalued fixed assets and that based on the historical cost of those assets, net of related deferred tax, from the revaluation surplus to retained profit.

As the Company disposed its staff quarters to the Company's staffs in 2000, the related deferred taxation and revaluation surplus reserve have been transferred to the profit and loss account and retained profits accordingly.

(c) Statutory reserves

According to the articles of association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its net profit after tax (based on the Company's local statutory accounts) for the statutory surplus reserve fund ("SSRF") (except where the reserve balance has reached 50% of the Company's paid-up share capital), and for the statutory public welfare fund ("SPWF") at a percentage determined by the directors. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such statutory surplus reserve must be maintained at a minimum of 25 per cent. of share capital after such usage. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

The directors have resolved that the statutory public welfare fund is to be utilized to build or acquire capital items, such as dormitories and other facilities for the Company's employees, and cannot be used to pay for staff welfare expenses. Title to these capital items will remain with the Company.

For the year ended December 31, 2000, the directors proposed appropriations of 10% and 5% (1999: 10% and 5%) of net profit after tax, determined under PRC accounting standards, approximately RMB 69,088,000 and 34,544,000 (1999: RMB 60,521,000 and 30,261,000), to the statutory surplus reserve fund and statutory public welfare fund respectively.

12. Reserves (Cont'd)

- (d) According to the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under IAS. As of December 31, 2000, the reserve available for distribution was approximately RMB 939,556,000 (1999: RMB 751,932,000).

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

	Statutory Accounts		Financial statements under IAS	
	2000 ('000)	1999 ('000)	2000 ('000)	1999 ('000)
Net profit for the year	691,487	604,868	688,306	630,683
Transfer to SSR	(75,229)	(61,776)	(69,088)	(60,521)
Transfer to SPWF	(37,614)	(30,888)	(34,544)	(30,261)
Transfer of valuation surplus to retained profits	—	—	5,518	198
Distributable profit attributable to shareholders	578,644	512,204	590,192	540,099
Retained profits, beginning of year	360,912	239,728	824,775	577,941
Total distributable profit	939,556	751,932	1,414,967	1,118,040
Dividends	(453,397)	(391,020)	(391,020)	(293,265)
Retained profit, end of year	486,159	360,912	1,023,947	824,775

13. Loans

Group and Company

- (a) Short-term bank loan

Short-term bank loans are repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China. The interest rates related to loans outstanding as at 31st December 2000 ranged between 5.58% and 5.85% per annum. (1999: 5.31% to 5.85%)

13. Loans (Cont'd)

(b) Long-term bank loans

All long-term bank loans were unsecured and comprised:

	Interest rate	2000 RMB'000	1999 RMB'000
Long-term bank loans	1% per annum	26,064	22,302
- USD denominated	(1999: 1%)		
Spain Government			
Loans with maturities			
2007 - 2026			
- USD denominated	6.77% per annum	20,659	24,097
buyer's credit loans with	(1999: 6.77%)		
maturities 2001 -			
2006			
Less: Amount repayable			
within one year		(3,437)	(3,438)
Long-term portion		43,286	42,961

The Group and the Company had aggregate banking facilities of approximately United States Dollar ("USD") 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. Unused facilities as at 31st December 2000 amounted to approximately USD 3,741,000 (RMB equivalent 30,979,000) (1999: USD 4,196,000, RMB equivalent 34,741,000). These facilities were guaranteed by Jiangsu Communications Holding Company Ltd..

(c) Long-term bank loans are repayable in the following periods:

	2000 RMB'000	1999 RMB'000
Amount repayable within a period		
- not exceeding one year	3,437	3,438
- more than one year but not exceeding two years	3,437	3,437
- more than two years but not exceeding five years	10,311	10,312
- more than five years	29,538	29,212
	46,723	46,399
Less: current portion of long-term bank loans	(3,437)	(3,438)
	43,286	42,961

13. Loans (Cont'd)

(d) Long-term debentures payable

All long-term debentures payable were unsecured, guaranteed by an unrelated party, bore fixed interest rates of 11% per annum and was repaid in April 2000.

14. Deferred Taxation

The Company recognised a deferred tax liability arising from valuation surplus of the Company's property interests. According to IAS 12, the deferred tax liability of approximately RMB 3,011,000 relating to this temporary difference has been recognised with a corresponding adjustment to revaluation surplus reserve where the difference was originally reflected.

As the Company disposed of its staff quarters to the Company's staff in 2000, the related deferred taxation and revaluation surplus reserve were transferred to the income statement and retained profits accordingly.

Movements in deferred taxation were as follows:

	2000 RMB'000	1999 RMB'000
Balance as at beginning of year	2,718	2,816
Transfer to income statement	(2,718)	(98)
Balance as at end of year	<u>—</u>	<u>2,718</u>

15. Revenue

	2000 RMB'000	1999 RMB'000
Revenue		
- Toll income	1,381,696	1,138,385
- Sales of petrol	148,288	96,540
- Advertising income	11,148	9,904
- Emergency assistance income	16,592	7,131
- Sales of food and beverage	61,913	45,144
	<u>1,619,637</u>	<u>1,297,104</u>
Less: Tax related to revenue	(76,685)	(63,180)
Revenue, net	<u>1,542,952</u>	<u>1,233,924</u>