

15. Revenue (Cont'd)

Tax related to revenue comprises Business Tax ("BT") and other ancillary taxes. The Company and its subsidiaries are subject to BT at the rate of 5% of toll income, emergency assistance income, advertising income and sales of food and beverage.

In addition to BT, the Company and its subsidiaries are subject to the following types of taxes related to revenue:

- City Development Tax, levied at 7% of BT and net VAT.
- Education Supplementary Tax, levied at 4% of BT and net VAT.

The Company and its subsidiaries are also subject to Value-added Tax ("VAT") on sales of petrol, which is charged at a general rate of 17%. An input credit is available whereby VAT previously paid on purchases of petrol or other materials can be used to offset against the VAT on sales of petrol or other materials to arrive at the net VAT payable to relevant government authorities.

16. Finance Cost

	2000 RMB'000	1999 RMB'000
Interest income	(26,536)	(39,351)
Interest expense:		
- Bank loans	43,705	32,376
- Debentures	5,500	22,000
Less: amounts capitalised in construction-in- progress	(2,214)	(1,182)
	<u>20,455</u>	<u>13,843</u>

17. Profit before Taxation and Minority Interests

- (a) Profit before taxation and minority interests in the consolidated income statements was arrived at after (crediting) charging the following items:

	2000 RMB'000	1999 RMB'000
After crediting:		
Gain on disposal of short-term investment	(13,360)	—
Interest income		
- Bank deposits	(15,019)	(26,979)
- Long-term receivable	(11,517)	(12,372)
	<u>(26,536)</u>	<u>(39,351)</u>
After charging:		
Interest expenses		
- on bank loans	43,705	32,376
- on debentures	5,500	22,000
	<u>49,205</u>	<u>54,376</u>
Less: Amounts capitalised in construction-in-progress	(2,214)	(1,182)
Finance cost	46,991	53,194
Staff costs		
- salaries and wages	65,638	43,199
- provision for staff and workers' bonus and welfare fund	8,975	9,465
- contribution to pension scheme (Note 2(q))	9,692	4,059
Depreciation of property, plant and equipment	244,825	199,845
Amortization of land use rights	23,527	21,118
Amortization of intangible assets	7,803	8,262
Provision for bad and doubtful debts	433	—
Foreign exchange loss	—	765
Auditor's remuneration	1,250	1,250
Loss on disposal of staff quarters	31,866	—

- (b) Sale of staff quarters

Pursuant to the "Implementation Scheme for Selling Staff Quarters of the Jiangsu Province", the Company disposed of its staff quarters to the Company's staff in 2000. A loss of approximately RMB 32 million was recognized in the current year income statement.

18. Directors' Supervisors' and Senior Executives' Emoluments

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

	2000 RMB'000	1999 RMB'000
Fees for executive directors	1,120	840
Fees for non-executive directors	220	—
Fees for supervisors	570	370
Other emoluments for executive directors		
- Basic salaries and allowances	220	—
- Bonus	—	—
Other emoluments for non-executive directors	—	—
Other emoluments for supervisors	—	—
	<u>2,130</u>	<u>1,210</u>

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

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

	2000 RMB'000	1999 RMB'000
Basic salaries and allowances	650	480
Bonus	—	—
	<u>650</u>	<u>480</u>
Number of directors	4	5
Number of supervisors	1	—
Number of senior executives	—	—
	<u>5</u>	<u>5</u>

All five highest paid individuals were directors and supervisor of the Company, their emoluments have been included in Note 18(a). The emoluments paid to each of the five highest paid individuals during the years ended 31st December 2000 and 1999 were less than RMB1,000,000. During the year ended 31st December 31, 2000, no emoluments were paid to the five highest paid individuals as an inducement to join the Company or as compensation for loss of office.

19. Income Tax Expense

Taxation in the consolidated income statements comprised:

	2000 RMB'000	1999 RMB'000
Taxation		
- current	248,353	229,729
- financial refunds	<u>(122,627)</u>	<u>(148,193)</u>
	125,726	81,536
Deferred taxation	<u>(2,718)</u>	<u>(98)</u>
	123,008	81,438
Share of income tax of a associate company	<u>2,152</u>	<u>2,394</u>
	<u><u>125,160</u></u>	<u><u>83,832</u></u>

19. Income Tax Expense (Cont'd)

The reconciliation between current tax expense and the product of profit before taxation and minority interests in the accompanying financial statements multiplied by the applicable tax rate is as follows:

	2000				Total
	Shanghai-Nanjing Expressway and Nanjing Section	Jiangsu Xicheng and Jiangsu Guangjing	Nanjing-Shanghai Class 2 Highway	Nanjing-Shanghai Class 2 Highway An Associate	
Profit before taxation and minority interests in the accompanying financial statements	600,421	73,679	138,960	11,458	824,518
Applicable tax rate	15%	—	—	33%	—
Tax at the applicable	90,063	—	—	3,781	93,844
Tax effect of income that are not assessable in determining taxable profit	(2,853)	—	—	(1,629)	(4,482)
Tax effect of expenses not deductible in determining taxable profit	3,600	—	—	—	3,600
Financial refunds not accrued for	11,723	—	21,958	—	33,681
Effect of deferred taxation on different tax rates	(1,483)	—	—	—	(1,483)
Tax expense in respect of current year	101,050	—	21,958	2,152	125,160

19. Income Tax Expense (Cont'd)

	1999				Total
	Shanghai-Nanjing Expressway and Nanjing Section	Jiangsu Xicheng and Jiangsu Guangjing	Nanjing-Shanghai Class 2 Highway	An Associated Company	
Profit before taxation and minority interests in the accompanying financial statements	540,330	15,315	152,580	8,243	716,468
Applicable tax rate	15%	15%	—	33%	—
Tax at the applicable tax rate	81,050	2,297	—	2,720	86,067
Tax effect of income not assessable in determining taxable profit	(1,856)	—	—	(326)	(2,182)
Tax effect of expenses not deductible in determining taxable profit	—	—	—	—	—
Effect of deferred taxation on different tax rates	(53)	—	—	—	(53)
Tax expense in respect of current year	<u>79,141</u>	<u>2,297</u>	<u>—</u>	<u>2,394</u>	<u>83,832</u>

Aggregate current and deferred tax relating to items charged or credited to equity:

	2000	1999
Deferred tax relating to revaluation of buildings	<u>(2,718)</u>	<u>(98)</u>

The Company and its subsidiaries are subject to 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 the Finance Department of Jiangsu Province (the "Jiangsu Finance Department"), the Company was granted financial refunds equal to 18% of its taxable income in respect of EIT paid on the income generated from the operations of the Shanghai-Nanjing Expressway.

19. Income Tax Expense (Cont'd)

Pursuant to the relevant documents mentioned above, income generated from the operations of the Nanjing-Shanghai Class 2 Highway was granted financial refunds equal to 33% of its taxable income in respect of EIT.

Pursuant to relevant documents issued by the Jiangsu Finance Department, Jiangsu Xicheng and Jiangsu Guangjing were granted financial refunds equal to 18% of its taxable income in respect of EIT.

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

Pursuant to Cai Shui [1994]No.1 issued by State Tax Bureau in 1994, and confirmed by Jiangsu Provincial Tax Bureau, Jiangsu Xicheng and Jiangsu Guangjing were entitled to full exemption from EIT for 2000 and a 50% reduction in EIT for 2001.

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

20. Dividends

	2000	1999
Dividends declared before year end		
- Interim	—	—
- Final, RMB 0.08 (1999: RMB 0.06) per share	<u>391,020</u>	<u>293,265</u>
	391,020	293,265
Dividends proposed after year end, RMB 0.09 (Note 28)	<u>453,397</u>	<u>391,020</u>
	844,417	684,285

In accordance with the articles of association of the Company, the Company declares dividends based on the lesser of the unappropriated profit reported in the statutory accounts and that reported in the financial statements prepared in accordance with IAS (Note 12(d)).

The dividends for 2000 of approximately RMB 0.09 per share were proposed by board of directors on 11th April 2001, and are subject to approval by shareholders.

21. Earnings Per Share

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of RMB 688,306,000 (1999: RMB 630,683,000), divided by the weighted average number of ordinary shares outstanding during the year of 4,891,436,025 shares (1999: 4,887,747,500 shares).

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

22. Cash Generated from Operations

(a) Reconciliation from profit before tax and extraordinary item to cash generated from operations:

	2000	1999
CASH FLOWS FROM OPERATING		
ACTIVITIES:		
Profit before taxation	824,518	716,468
Adjustments for:		
Provision for bad debts	433	–
Depreciation of property, plant and equipment and amortization of intangible assets	252,628	208,107
Amortization of land use rights	23,527	21,118
Loss on disposal of fixed assets	35,112	391
Share of profit from an associate	(11,457)	(8,243)
Interest income	(26,536)	(39,351)
Interest expenses	46,991	53,194
Operating profit before working capital changes	1,145,216	951,684
Decrease (increase) in prepayments and other receivables	131,552	(15,716)
Increase in due from a related party	(800)	–
(Increase) decrease in inventories and supplies	(1,802)	10,521
Increase (decrease) in due to a related party	3,185	(3,000)
(Decrease) increase in taxes payable, other payables and accruals	(136,680)	46,156
Cash generated from operations	1,140,671	989,645

22. Cash Generated from Operations (Cont'd)

(b) Purchase of property, plant and equipment

	2000	1999
Increase in property, plant and equipment	491,592	857,968
Add: Payables for purchase of property, plant and equipment, beginning of year	176,142	125,636
Due to a related party for purchase of property, plant and equipment, beginning of year	373	7,342
Less: Payables for purchase of property, plant and equipment, end of year	(167,031)	(176,142)
Due to a related party for purchase of property, plant and equipment, end of year	—	(373)
Cash paid for acquisition of property, plant and equipment	<u>501,076</u>	<u>814,431</u>

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

	2000	1999
Cash on hand	257	115
Fixed deposits	288,813	205,141
Saving deposits	681,923	743,505
	<u>970,993</u>	<u>948,761</u>

23. Related Party Transactions

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

(a) Name of related party and relationship

Name	Relationship with the Company
Jiangsu Communications Department	Previous ultimate controlling shareholder of the Company
Jiangsu Communications Holding Company Ltd.	The ultimate parent company
Wuxi Expressway Command Office	A subordinated entity of Jiangsu Communications Department
Taizhou Guangjing Expressway Command Office	A subordinated entity of Jiangsu Communications Department
Ninglian Ningtong Management Office ("Ninglian Management Office")	A subordinated entity of Jiangsu Communications Department
Jiangsu Kuailu	An associate of the Company

(b) Related party transactions

Apart from those disclosed in Notes 6, 8 and 13, the Group and the Company had the following significant related party transactions during the year ended 31st December 2000:

(i) Jiangsu Communications Holding Company Ltd.

The Group and the Company had aggregate banking facilities of approximately 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..

Pursuant to the agreement between the Jiangsu Communications Investment Corporation and the Company, on 29th December 2000, the Company acquired from Juangsu Communications Holding Company Ltd. (formerly known as Jiangsu Communications Investment Corporation) 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.