1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 1 August 1992 as a joint stock limited company and its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, respectively. Its ultimate holding company is Jiangsu Communications Holding Company Limited 江蘇交通控股有限公司 ("Jiangsu Communications"), a state-owned enterprise incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The financial statements are presented in Renminbi, which is the same as the functional currency of the Company.

The principal activities of the Group are the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway ("Shanghai-Nanjing Expressway"), the Jiangsu section of the 312 National Highway (the "Nanjing-Shanghai Class 2 Highway"), Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing-Lianyungang Class 1 Highway") and other toll roads in Jiangsu Province, and the provision of passenger transport services and other supporting services along the toll roads.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Business Combinations (Cont'd)

(a) Goodwill

In previous periods, goodwill arising on acquisitions of associates was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 and eliminated the carrying amount of the related accumulated amortisation of RMB43,656,000 on 1 January 2005 with a corresponding decrease in the cost of goodwill (see Note 19). The Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions of associates after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

(b) Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005, with a corresponding increase to retained profits.

Leasehold land

In previous years, land use right was included in property, plant and equipment and amortised to write off the cost, commencing from the date of commencement of commercial operation of the related toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by management or by reference to traffic projection reports prepared by independent traffic consultants. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the land use rights in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. The financial impact is set out below.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Classification and measurement of financial assets and financial liabilities

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments are presented for current and prior accounting periods. The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group's investments in equity securities are classified as "investment securities" and are carried at cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies its equity securities as "available-for-sale financial assets" in accordance with HKAS 39. Under HKAS 39, "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in equity except for those investments in equity securities that do not have a quoted market price in an active market which are carried at cost less impairment as their fair value cannot be reliably measured. As a result of this change in accounting policy, the equity securities amounted to RMB2,000,000 have been reclassified to available-for-sale financial assets at 1 January 2005.

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2005 RMB'000	2004 RMB'000
Non-amortisation of goodwill of associates	12,516	—
Decrease in release of negative goodwill of associates	(519)	—
Additional amortisation of land use right (included in cost of sales and other operating costs)	(35,548)	(26,490)
Increase in deferred tax assets as a result of increase in amortisation of land use right	11,731	8,742
Decrease in profit for the year	(11,820)	(17,748)

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Classification and measurement of financial assets and financial liabilities (Cont'd)

The cumulative effects of the application of the new HKFRSs at 31 December 2004 and 1 January 2005 are summarised below:

	At 31 December 2004		At 31 December 2004		At 1 January 2005
	(originally stated) RMB'000	Adjustments RMB'000	(restated) RMB'000	Adjustments RMB'000	(restated) RMB'000
Balance sheet items					
Impact of HKAS 17					
Property, plant and equipment	15,332,322	(9,739,608)	5,592,714	—	5,592,714
Toll roads infrastructures	—	8,210,015	8,210,015	—	8,210,015
Prepaid lease payments	—	1,412,599	1,412,599	—	1,412,599
Deferred tax assets	43,976	38,608	82,584	—	82,584
Impact of HKFRS 3					
Derecognition of negative goodwill included in interest in associates	1,566,231	—	1,566,231	2,855	1,569,086
Impact of HKAS 39					
Available-for-sale investments	—	—	—	2,000	2,000
Investment securities	2,000	—	2,000	(2,000)	—
Total effects on assets	16,944,529	(78,386)	16,866,143	2,855	16,868,998
Total effect on equity					
Retained profits	1,652,048	(78,386)	1,573,662	2,855	1,576,517

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated RMB'000	Adjustments RMB'000	As restated RMB'000
Retained profits	1,544,544	(60,638)	1,483,906

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

Classification and measurement of financial assets and financial liabilities (Cont'd)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment[3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

1 *Effective for annual periods beginning on or after 1 January 2007*

2 *Effective for annual periods beginning on or after 1 January 2006*

3 *Effective for annual periods beginning on or after 1 December 2005*

4 *Effective for annual periods beginning on or after 1 March 2006*

The directors are considering the impact of HKAS 39 and IFRS 4 (Amendments) and HK(IFRIC) - INT 4, effective for accounting period commencing 1 January 2006, but is not able to estimate reasonably the impact on the Company's financial statements. Except for this, the directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

(a) Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of an associate for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant associate at the date of acquisition. The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill (Cont'd)

(b) Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of an associate for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of an associate for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

As explained in Note 2 above, all negative goodwill as at 1 January 2005 has been derecognised with a corresponding credit to the Group's retained profits.

Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis.

Sale of petrol are recognised when delivery has taken place.

Sale of food and beverages are recognised when goods and services are provided.

Emergency assistance income and advertising income are recognised when services are rendered.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the bank deposits to their net carrying amount.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Construction in progress is stated at cost which includes development expenditure and other direct costs, including interest cost on the related borrowed funds during the construction period attributable to the development of toll roads, buildings and structures for the Group's own use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value of each asset over its expected useful life. The expected useful lives of assets are the shorter of the expected useful lives of the assets or the remaining concession period. The expected useful lives of the assets are as follows:

Buildings	30 years
Safety equipment	10 years
Communication and signalling equipment	10 years
Toll stations and ancillary equipment	8 years
Motor vehicles	8 years
Other machinery and equipment	5 - 8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is dereognised.

Toll roads infrastructures

Toll roads infrastructures, which include toll roads infrastructures work and operating rights are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation of the toll roads infrastructures are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Land use right

Land use rights are accounted for as prepaid lease payments and are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government subsidies

Government grants are recognised in the income statement when they become receivable and reported separately as 'other operating income'.

Retirement benefit costs

The employees of the Company and its subsidiaries are members of state-managed retirement pension schemes, under which the Group's obligations are equivalent to those arising in a defined contribution retirement pension plan. Payments made to the state-managed retirement pension schemes are charged as expenses as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group as the parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into either loans and receivables or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank and other borrowings, construction costs payable and other payables are subsequently measured at amortised cost, using the effective interest method. The carrying amounts of these financial liabilities approximate to their fair value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following estimation that have the most significant effect on the amounts recognised in the financial statements.

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to prepayments and other receivables. In determining whether allowance for bad and doubtful debts is required, the Company takes into consideration the aging status and the likelihood of collection. Specific allowance is only made for other receivables that are unlikely to be collected. In this regard, the directors of the Company and its subsidiaries are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the financial statements in light of the historical records of the Group.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Depreciation of toll roads and structures

Depreciation of the toll roads and structure are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value of 3%, of each asset over its expected useful life.

The management exercises their judgement in estimating the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads and the useful lives of the other items of the depreciable assets.

Income taxes

As at 31 December 2005, a deferred tax asset of RMB7,983,000 (2004: RMB82,584,000) in relation to impairment losses on other receivables has been recognised in the Group's balance sheet as the Group expects that there are sufficient future taxable profits to utilise the deferred tax asset. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, borrowings, other receivables, other payables and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) *Fair value interest rate risk*

Interest bearing financial assets are mainly bank balances which are all short-term in nature and is therefore not exposed to fair value interest rate risk. The Group's fair value interest rate risk relates primarily to fixed-rate bank and other borrowings (see Notes 27 and 28 for details of these borrowings). The Group currently does not have an interest rate hedging policy.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Market risk (Cont'd)

(b) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Although the Group has certain long-term borrowings denominated in USD, the proportion to the Group's total assets is insignificant. Further the Group carries out majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

Credit risk

The Group's credit risk primarily relates to the Group's bank balances and cash and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the risk, the management of the Group closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each balance sheet date and adequate allowance for doubtful debts have been made for irrecoverable amounts. In this regard, the directors of the Group consider that credit risk associated with the Group's other receivables is significantly reduced.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-ratings.

The Group's concentration of credit risk by geographical locations is mainly in the PRC.

Liquidity risk

The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn long-term and short-term borrowing facilities to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities at the balance sheet date, the Group has well managed the liquidity risk.

6. REVENUE

	2005 RMB'000	2004 RMB'000
Turnover comprises:		
Toll revenue	1,965,415	2,710,001
Sale of petrol	180,838	244,228
Sale of food and beverages	40,819	90,825
Advertising income	9,381	9,244
Emergency assistance income and others	4,919	50,541
	2,201,372	3,104,839
Less: Business tax and other related taxes	(90,391)	(152,843)
	2,110,981	2,951,996

7. SEGMENT INFORMATION

All the Group's operations are located and carried out in the PRC, and the principal activities of the Group is the operation and management of toll roads. Accordingly, no segment information by business and geographical segment is presented.

8. ADMINISTRATIVE EXPENSES

During the year ended 31 December 2004, in view of the widening project of Shanghai-Nanjing Expressway, the Group had demolished certain structures, buildings, safety equipment, communication and signaling equipment, and toll stations and ancillary equipment. Accordingly, certain property, plant and equipment was derecognised and resulted in a loss of RMB225,971,000 during the year and, together with other loss on derecognition of property, plant and equipment of RMB 8,174,000 and was included in administrative expenses.

9. FINANCE COSTS

	2005	2004
	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	279,918	142,212
Over five years	142,375	20,514
Total borrowing costs	422,293	162,726
Less: Amount capitalised	(253,959)	(30,192)
	168,334	132,534

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.74% (2004: 4.96%) to expenditure on qualifying assets.

10. TAXATION

	2005 RMB'000	2004 RMB'000 (Restated)
The charge comprises:		
PRC income tax	215,125	523,954
Deferred tax charge (credit) (note 23)	74,601	(82,225)
Taxation attributable to the Company and its subsidiaries	289,726	441,729

The Company and its subsidiaries are subject to PRC income tax rate of 33% (2004: 33%) pursuant to the relevant PRC income tax laws.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

The tax charge for the year can be reconciled to the profit before taxation per income statement as follows:

	2005		2004	
	RMB'000	%	RMB'000 (Restated)	%
Profit before taxation	990,608		1,461,238	
Tax at the domestic tax rate of 33% (2004: 33%)	326,900	33.0	482,209	33.0
Tax effect of expenses not deductible for tax purpose	7,704	0.7	6,650	0.5
Tax effect of share of results of associates	(44,878)	(4.5)	(47,130)	(3.2)
Tax charge and effective tax rate for the year	289,726	29.2	441,729	30.3

11. PROFIT FOR THE YEAR

	2005	2004
	RMB'000	RMB'000 (Restated)
Profit for the year has been arrived at after charging:		
Staff costs including directors' emoluments	136,099	132,785
Retirement benefits scheme contributions	27,456	24,890
Total staff costs	163,555	157,675
Auditors' remuneration	1,300	1,180
Impairment loss on other receivables	11,552	11,702
Depreciation of property, plant and equipment and toll roads and structures	415,241	466,283
Loss on derecognition of property, plant and equipment and toll roads and structures	13,386	234,145
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	64,703	64,703
Cost of inventories recognised as an expense	246,984	302,405
Amortisation of goodwill of associates (included in share of results of associates)	—	12,735
Share of tax of associates (included in share of results of associates)	61,478	57,516
and after crediting:		
Dividend income from unlisted investments	200	200
Interest income from bank deposits	5,945	10,956
Interest income from designated deposits	—	1,749
Government grants received (note)	800	—
Negative goodwill released to income of associates (included in share of results of associates)	—	519

Note:

Government grants of RMB800,000 have been received in the current year as an incentive payment to the Company's subsidiary, Jiangsu Ninghu Investment Development Co., Ltd.. The incentive payment was unconditional and has been included in other income for the year.

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors were as follows:

	Shen Changquan	Xie Jiaquan	Zhang Wensheng	Sun Hongning	Chen Xianghui	Fan Yushu	Cui Xiaolong	Fang* Keng	Chang* Yungtsung	Yang* Xiongsheng	Hong* Yinxing	Fan* Conglai	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2005													
Fees	—	—	—	—	—	—	—	105	105	40	20	20	290
Other emoluments:													
Salaries and other benefits	—	310	—	—	—	—	—	—	—	—	—	—	310
Contributions to retirement benefits/pension schemes	—	26	—	—	—	—	—	—	—	—	—	—	26
Total emoluments	—	336	—	—	—	—	—	105	105	40	20	20	626

	Shen Changquan	Xie Jiaquan	Zhang Wensheng	Sun Hongning	Chen Xianghui	Fan Yushu	Cui Xiaolong	Fang* Keng	Chang* Yungtsung	Yang* Xiongsheng	Hong* Yinxing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2004												
Fees	—	—	—	—	—	—	—	106	106	40	40	292
Other emoluments:												
Salaries and other benefits	—	300	—	—	—	—	—	—	—	—	—	300
Contributions to retirement benefits/pension schemes	—	14	—	—	—	—	—	—	—	—	—	14
Total emoluments	—	314	—	—	—	—	—	106	106	40	40	606

* *Independent non-executive directors*

During the year, Mr. Hong Yinxing resigned and Mr. Fan Conglai was appointed as an independent director of the Company.

The emoluments of each of the directors for both years were below HK$1,000,000 (equivalent to RMB1,040,000).

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2004: one) is a director of the Company whose emoluments are included in note 12. The emoluments of the remaining four (2004: four) individuals were as follows:

	2005	2004
	RMB'000	RMB'000
Salaries and other benefits	810	841
Contributions to retirement benefits schemes	105	56
	915	897

Their emoluments were within the following bands:

	2005	2004
	No. of employees	No. of employees
Nil to HK$ 1,000,000 (Nil to RMB1,040,000)	4	4

14. DIVIDEND

	2005	2004
	RMB'000	RMB'000
Ordinary shares:		
Final, proposed – RMB0.145 (2004: 0.145) per share	730,473	730,473

The final dividend of RMB0.145 (2004: RMB0.145) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the equity holders of the Company of RMB668,028,000 (2004: RMB979,391,000) and 5,037,747,500 (2004: 5,037,747,500) ordinary shares in issue during the year.

The following table summarises the impact on basic earnings per share as a result of:

	Impact on basic earnings per share	
	2005 RMB	2004 RMB
Reported figures before adjustments	0.13	0.20
Adjustments arising from changes in accounting policies (note 2)	—	(0.01)
Restated	0.13	0.19

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2005.

16. PROPERTY, PLANT AND EQUIPMENT

	Land use rights	Buildings	Safety equipment	Communication and signaling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST									
At 1 January 2004 as originally stated	1,747,268	490,336	499,921	212,708	244,130	129,621	202,551	922,520	4,449,055
Prior period adjustments (note 2)	(1,747,268)	—	—	—	—	—	—	—	(1,747,268)
At 1 January 2004 as restated	—	490,336	499,921	212,708	244,130	129,621	202,551	922,520	2,701,787
Additions	—	3,215	189	2,796	29,971	13,888	29,873	3,880,100	3,960,032
Transfers	—	31,717	—	—	12,692	5,565	5,627	(55,601)	—
Disposal of a subsidiary	—	—	—	—	—	—	(7,476)	—	(7,476)
Write-off/disposals	—	(44,055)	(164,529)	(83,951)	(64,765)	(7,904)	(23,438)	—	(388,642)
At 31 December 2004	—	481,213	335,581	131,553	222,028	141,170	207,137	4,747,019	6,265,701
Additions	—	84	1,292	223	1,518	16,764	25,033	5,608,389	5,653,303
Transfers	—	392,679	—	121,141	94,226	21,708	77,317	(9,234,338)	(8,527,267)
Disposals	—	(11,476)	—	—	(383)	(6,572)	(16,644)	—	(35,075)
At 31 December 2005	—	862,500	336,873	252,917	317,389	173,070	292,843	1,121,070	3,356,662
DEPRECIATION AND AMORTISATION									
At 1 January 2004 as originally stated	179,462	107,792	316,123	90,649	103,606	49,018	108,123	—	954,773
Prior period adjustments (note 2)	(179,462)	—	—	—	—	—	—	—	(179,462)
At 1 January 2004 as restated	—	107,792	316,123	90,649	103,606	49,018	108,123	—	775,311
Provided for the year	—	16,413	38,764	16,534	27,231	12,782	24,766	—	136,490
Eliminated on disposal of a subsidiary	—	—	—	—	—	—	(1,984)	—	(1,984)
Eliminated on write-off/disposals	—	(8,249)	(119,732)	(49,648)	(38,638)	(5,925)	(14,638)	—	(236,830)
At 31 December 2004	—	115,956	235,155	57,535	92,199	55,875	116,267	—	672,987
Provided for the year	—	20,306	30,242	14,347	26,882	20,208	26,069	—	138,054
Eliminated on disposals	—	(2,197)	—	—	(88)	(5,326)	(11,817)	—	(19,428)
At 31 December 2005	—	134,065	265,397	71,882	118,993	70,757	130,519	—	791,613
NET BOOK VALUES									
At 31 December 2005	—	728,435	71,476	181,035	198,396	102,313	162,324	1,121,070	2,565,049
At 31 December 2004	—	365,257	100,426	74,018	129,829	85,295	90,870	4,747,019	5,592,714

All the Group's buildings are situated in the PRC and held under medium-term land use rights.

17. TOLL ROADS INFRASTRUCTURES

	RMB'000
COST	
At 1 January 2004	9,639,997
Write-off/disposals	(97,917)
At 31 December 2004	9,542,080
Additions	2,700,000
Transfers	8,527,267
At 31 December 2005	20,769,347
DEPRECIATION	
At 1 January 2004	1,015,251
Provided for the year	329,793
Eliminated on write-off/disposals	(12,979)
At 31 December 2004	1,332,065
Provided for the year	277,187
At 31 December 2005	1,609,252
NET BOOK VALUES	
At 31 December 2005	19,160,095
At 31 December 2004	8,210,015

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2005	2004
	RMB'000	RMB'000
Medium-term lease in the PRC	1,347,896	1,412,599
Analysed for reporting purposes as:		
Non-current asset	1,283,193	1,347,896
Current asset	64,703	64,703
	1,347,896	1,412,599

19. INTERESTS IN ASSOCIATES

	2005	2004
	RMB'000	RMB'000
Unlisted investments, at cost	1,397,664	1,404,498
Share of post-acquisition profits, net of dividends received	179,123	161,733
	1,576,787	1,566,231
Loan to an associate:		
- Shanghai Yinjian Real Estate Co., Ltd. (Note 1)	—	15,000
	1,576,787	1,581,231
Analysis for financial reporting purposes:		
Interests in associates included in non-current assets	1,576,787	1,566,231
Loan to an associate included in current assets	—	15,000
	1,576,787	1,581,231

19. INTERESTS IN ASSOCIATES (Cont'd)

At 31 December 2005, the Group had interests in the following associates, all of which are limited liability companies:

Name of entity	Place of registration and operations	Proportion of registered capital held by the Group		Principal activity
		Directly	Indirectly by subsidiaries	
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	PRC	33.20%	—	Provision of passenger transportation service along the Shanghai-Nanjing Expressway
Jiangsu Yangzte Bridge Co., Ltd.	PRC	26.66%	—	Investment, construction, operation and management of Jiangjin Yangtze River Bridge
Suzhou Sujiahang Expressway Co., Ltd.	PRC	33.33%	—	Investment, construction, operation and management of Sujiahang Expressway
China Transportation HEAD New technology (Shanghai) Co., Ltd.	PRC	35.71%	—	Computer software development
Jiangsu SEU Intelligent System Technology Co., Ltd.	PRC	—	20.69%	Computer software development
Jiangsu Leasing Co., Ltd. (Note 2)	PRC	—	20.00%	Leasing and financing activities

Notes:

(1) *During the year ended 31 December 2004, Shanghai Yinjian Real Estate Co., Ltd. ("Shanghai Yinjian") increased its registered capital from RMB17,200,000 to RMB36,200,000. Of the increase in capital of RMB19,000,000, the Group had contributed RMB15,000,000 which is not in proportion to the Group's original equity interest in Shanghai Yinjian. Accordingly, the Group's interests in Shanghai Yinjian was increased from 28.69% to 53.01%. However, pursuant to an agreement dated 26 May 2004 entered into between Shanghai Yinjian and a subsidiary of the Company, an aggregate amount of RMB16,560,000 would be recovered on or before 30 May 2005. The Group did not have any intention to exercise control over Shanghai Yinjian and its holding of 53.01% equity interests is only temporary. Accordingly, Shanghai Yinjian is not treated as a subsidiary of the Group and its financial statements are not consolidated. The amount of RMB15,000,000 was recorded as loan to an associate at 31 December 2004.*

19. INTERESTS IN ASSOCIATES (Cont'd)

Notes: (Cont'd)

Pursuant to a transfer agreement dated 8 June 2005, the Group transferred all of its equity interest in Shanghai Yinjian at a total consideration of RMB26,910,000 (including the above loan of RMB15,000,000) to an independent third party, 蘇州市興達房地產開發有限公司 Suzhou Real Estate Development Co., Ltd.

(2) 9% is held indirectly through an associate which is not included in the above 20.00%.

Goodwill

Included in the cost of investment in associates is goodwill of RMB81,815,000 (2004: RMB83,697,000) arising on acquisitions of associates in prior years. The movement of goodwill is set out below:

	RMB'000
COST	
At 1 January 2004 and 31 December 2004	127,353
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2)	(43,656)
Eliminated on disposal of an associate	(1,882)
At 31 December 2005	81,815
AMORTISATION	
At 1 January 2004	30,921
Charge for the year	12,735
At 31 December 2004	43,656
Elimination of accumulated amortisation upon the application of HKFRS 3 (note 2)	(43,656)
At 31 December 2005	—
CARRYING AMOUNT	
At 31 December 2005	81,815
At 31 December 2004	83,697

Until 31 December 2004, goodwill was amortised over its estimated useful life of ten years.

19. INTERESTS IN ASSOCIATES (Cont'd)

Impairment testing on goodwill

The carrying amounts of goodwill at 31 December 2005 are related to the following associates:

	RMB'000
Jiangsu Yangzte Bridge Co., Ltd.	53,207
Suzhou Sujiahang Expressway Co., Ltd.	28,608
	81,815

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

During the year ended 31 December 2005, management of the Group determines that there are no impairments of the investments in these associates.

The recoverable amount of the associates is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to toll revenue and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the associates. The growth rates are based on industry growth forecasts. Changes in toll revenue and direct costs are based on past practices and expectations of future changes in the market. The rate used to discount the forecast cash flows is 6 per cent.

19. INTERESTS IN ASSOCIATES (Cont'd)

Negative goodwill

Negative goodwill with carrying amount of RMB2,855,000 at 31 December 2004 (1 January 2004: RMB3,374,000) was presented as a deduction from the cost of investments in associates. In prior years, negative goodwill was released to income on a straight-line basis of 10 years, representing the remaining weighted average useful life of the depreciable assets acquired. The amount of negative goodwill released to the income statement for the year ended 31 December 2004 was RMB519,000. All negative goodwill was derecognised on 1 January 2005 upon the application of HKFRS 3.

The summarised financial information in respect of the Group's associates is set out below:

	2005	2004
	RMB'000	RMB'000
Total assets	9,511,806	9,430,986
Total liabilities	(4,243,133)	(4,231,838)
Net assets	5,268,673	5,199,148
Group's share of net assets of associates	1,494,972	1,485,389
Revenue	1,556,001	1,499,649
Profit for the year	490,368	493,943
Group's share of result of associates for the year	135,995	142,817

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments at 31 December 2005 comprise:

	2005	2004
	RMB'000	RMB'000
Unlisted equity securities, at cost (included in non-current assets)	3,000	—

The above unlisted investments represent investments in unlisted equity securities. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

21. INVESTMENT SECURITIES

The investment in unlisted equity investments at 31 December 2004 which were stated at cost were reclassified as available-for-sale investments at 1 January 2005.

22. PREPAYMENT FOR EXTENSION OF TOLL HIGHWAY OPERATING RIGHTS

On 14 April 2004, the Company entered into a contract with the Highway Bureau of Jiangsu Province in respect of the extension of the operating rights (and payment of the infrastructural work) of Nanjing-Shanghai Class 2 Highway after widening (the "Operating Rights Extension Contract"). The Company was granted an extended term of operating rights of Nanjing-Shanghai Class 2 Highway from 27 June 2012 to 26 June 2024 for a consideration of RMB2,700,000,000.

At 31 December 2004, the amount represented the balance prepaid for such widening work and extension of the operating rights under the Operating Rights Extension Contract. During the year, the amount was transferred to toll roads infrastructures.

23. DEFERRED TAX ASSETS

The following are the deferred taxation (assets) liabilities recognised and movements thereon during the current and prior year:

	Write-off of property, plant and equipment	Impairment loss on receivables	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004, as originally stated	—	(359)	29,866	29,507
Effects of changes in accounting policies (note 2)	—	—	(29,866)	(29,866)
At 1 January 2004, as restated	—	(359)	—	(359)
Credit to income for the year, as restated	(78,044)	(4,181)	—	(82,225)
At 31 December 2004, as restated	(78,044)	(4,540)	—	(82,584)
Charge (credit) to income statement	78,044	(3,443)	—	74,601
At 31 December 2005	—	(7,983)	—	(7,983)

24. INVENTORIES

Inventories comprise petrol for sales, materials and spare parts for repairs and maintenance of toll roads and structure. All inventories are stated at cost.

25. PREPAYMENTS AND OTHER RECEIVABLES

	2005	2004
	RMB'000	RMB'000
Receivable from liquidation of a former joint venture	19,812	20,812
Prepayment for equipment	5,513	20,717
Others	53,666	49,170
	78,991	90,699
Less: Accumulated impairment losses	(24,556)	(13,004)
	54,435	77,695

The fair value of the Group's other receivables at 31 December 2005 approximates to their corresponding carrying amount.

26. BANK BALANCES AND CASH

The fair value of the Group's bank balances and cash at 31 December 2005 was approximate to the corresponding carrying amount.

27. LONG-TERM BORROWINGS

	Maturity date		Effective interest rate		Carrying amount	
	2005	2004	2005	2004	2005 RMB'000	2004 RMB'000
Unsecured bank loans	2008-2016	2009-2015	5.68%	5.55%	4,900,000	3,030,000
USD denominated Spain government loans (Note)	2007-2026	2007-2026	1.00%	1.00%	39,990	41,013
USD denominated buyer's credit loans (Note)	2001-2006	2001-2006	6.77%	6.77%	6,643	13,664
					4,946,633	3,084,677

27. LONG-TERM BORROWINGS (Cont'd)

The maturity of the above fixed-rate loans is as follows:

	2005	2004
	RMB'000	RMB'000
Within one year	6,643	6,813
More than one year but not exceeding two years	1,999	206,850
More than two years but not exceeding three years	201,999	2,051
More than three years but not exceeding four years	702,000	2,051
More than four years but not exceeding five years	1,202,000	702,050
More than five years	2,831,992	2,164,862
	4,946,633	3,084,677
Less: Amount due within one year included in current liabilities	(6,643)	(6,813)
Amount due after one year	4,939,990	3,077,864

All the bank loans are at fixed interest rates and expose the Group to fair value interest rate risk. The carrying amount of the above Group's bank loans approximates to their fair value.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are US$5,778,000 (2004: US$7,429,000).

At the balance sheet date, the Group has the following undrawn in respect of long-term borrowings facilities:

	2005	2004
	RMB'000	RMB'000
Fixed rate - expiring beyond one year	9,850,000	11,100,000

Note:

These long-term borrowings were guaranteed by the ultimate holding company, Jiangsu Communications, which is controlled by the PRC Government.

27. LONG-TERM BORROWINGS (Cont'd)

Note: (Cont'd)

On 15 September 2004, Jiangsu Communications formally activated the procedure of merger and reorganisation with Jiangsu Communications Assets Group Limited 江蘇交通產業集團有限公司, another major communications investment entity, pursuant to the "Notice regarding the merger and reorganisation of Jiangsu Communications Holding Company Limited and Jiangsu Communications Assets Group Limited" of the People's Government of Jiangsu Province. The name of the combined entity shall remain as "Jiangsu Communications Holding Company Limited" and its business nature shall remain as state-owned, while Jiangsu Communications Assets Group Limited shall be de-registered, and its debts and liabilities, external guarantees and equity interest for its external investments shall all be taken over by Jiangsu Communications after the merger.

There is no change in the holding of interest in the Company by Jiangsu Communications after the merger.

28. SHORT-TERM BORROWINGS

	2005 RMB'000	2004 RMB'000
Short-term bond	3,912,026	—
Unsecured bank loans	450,000	1,950,000
	4,362,026	1,950,000

During the year, the Company issued short-term bond of RMB4,000,000,000 to selected banking institutions. The net receipt of the short-term bond by the Company amounted to RMB3,886,400,000 after netting off the prepaid interest of RMB113,600,000, which is unsecured, bears the effective interest at 2.92% per annum and of which, RMB2,000,000,000 will due for repayment on 22 September 2006 and the remaining RMB2,000,000,000 will due for repayment on 7 November 2006.

The bank loans are unsecured and repayable within one year and arranged at fixed interest rates and expose the Group to fair value interest rate risk. The fair value of the above Group's bank loans is estimated by discounting their future cash flows at the prevailing market borrowing rates based on the rates quoted by the People's Bank of China at the balance sheet date. The carrying amount of bank loans approximates to their fair value.

At the balance sheet date, the Group has the following undrawn in respect of short-term borrowings facilities:

	2005 RMB'000	2004 RMB'000
Fixed rate - expiring within one year	1,100,000	—

29. SHARE CAPITAL

	2005 & 2004	
	Number of shares	Share capital RMB'000
Authorised, issued and fully paid:		
State shares	2,781,743,600	2,781,744
State legal person shares	599,471,000	599,471
Legal person shares	284,532,900	284,533
H shares	1,222,000,000	1,222,000
A shares	150,000,000	150,000
Total	5,037,747,500	5,037,748

There was no movement in the Company's authorised and issued share capital during the two years ended 31 December 2005.

State shares, state legal person shares, legal person shares, H shares and A shares have a par value of RMB1 each and rank pari passu in all respects, except that ownership of state 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.

30. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2004, the Company disposed of its entire 95.05% equity interests in the subsidiary, Nanjing Shuangshilou Hotel Co., Ltd. ("Shuangshilou") to an independent third party at a total consideration of RMB2,000,000.

30. DISPOSAL OF A SUBSIDIARY (Cont'd)

The net liabilities of Shuangshilou at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	5,492
Inventories	121
Prepayments and other receivables	1,283
Bank balances and cash	557
Other payables	(12,095)
	(4,642)
Gain on disposal	6,642
Total consideration	2,000
Satisfied by:	
Cash	1,000
Deferred consideration receivable within one year	1,000
	2,000
Net cash inflow arising on disposal:	
Cash consideration	1,000
Bank balances and cash disposed of	(557)
	443

The subsidiary disposed of during the year ended 31 December 2004 did not have any significant impact on the Group's cash flows or operating results for that year. The deferred consideration of RMB1,000,000 had been received in 2005.

31. CAPITAL COMMITMENTS

	2005	2004
	RMB'000	RMB'000
Commitments for:		
- acquisition of property, plant and equipment in respect of the toll roads expansion project contracted for but not provided in the financial statements	9,416	2,584,217
- payment for the acquisition of extended operating rights of Nanjing-Shanghai Class 2 Highway under the Operating Rights Extension Contract	—	950,000
	9,416	3,534,217

32. OTHER COMMITMENTS

As at 31 December 2005 and 31 December 2004, the Group is committed to pay Ninglian Ningtong Management Office, an independent third party, a service charge at a fixed rate of 17% of the total toll revenue collected on Nanjing-Lianyungang Class 1 Highway per annum for a term of 30 years from 1 January 2000.

33. RETIREMENT BENEFITS SCHEME

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau (the "Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2004: 21%) of the monthly salary in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

The total cost charged to income of RMB27,456,000 (2004: RMB24,890,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. All the contributions had been paid over to the scheme as at 31 December 2005.

34. POST BALANCE SHEET EVENT

On 4 January 2006, the Group's subsidiary, Jiangsu Ninghu Investment Development Co., Ltd. entered into an agreement with Suzhou Investment Co., Ltd. ("Suzhou Investment") 蘇州市投資有限公司, pursuant to which the subsidiary advanced RMB40,000,000 to Suzhou Investment for investment in certain precious metals.

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Group has the following significant transactions with the associates:

Name of associate	Nature of transactions	2005	2004
		RMB'000	RMB'000
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road usage fee received	8,400	8,400
Jiangsu Yangzte Bridge Co., Ltd.	Maintenance service income	959	1,716
Jiangsu Yangzte Bridge Co., Ltd.	Toll service expenses	1,034	2,000

(b) At the balance sheet date, the Group have current accounts with the following related companies:

Name of associate	2005	2004
	RMB'000	RMB'000
Amounts due from:		
Suzhou Sujiahang Expressway Co., Ltd.	7,067	2,641
Jiangsu Yangzte Bridge Co., Ltd.	1,494	976
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	831	3,086
	9,392	6,703
Amounts due to:		
Suzhou Sujiahang Expressway Co., Ltd.	13,154	4,174
Jiangsu Yangzte Bridge Co., Ltd.	1,034	2,000
China Transportation HEAD New Technology (Shanghai) Co., Ltd.	—	129
	14,188	6,303

The balances mainly represent receipts of toll fees collected and expenses paid on behalf of the Group, which are unsecured, interest free and repayable on demand. The above current accounts were included in other receivables and other payables on the balance sheet.

35. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2005	2004
	RMB'000	RMB'000
Short-term benefits	2,087	2,192

The remuneration of directors and key executives are determined by reference to the performance of individuals and market trends.

(d) Transactions and balances with other state-controlled entities in the PRC

In view of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identity of counter parties and accordingly whether the transactions are with other stated-controlled entities.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries, all of which are limited liability companies, as at 31 December 2005 are as follows:

Name	Place of registration and operations	Paid up registered capital	Proportion of registered capital held by the Company		Principal activities
		RMB	Directly	Indirectly	
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	PRC	850,000,000	85.00%	—	Construction, management and operation of expressway
Jiangsu Ninghu Investment Development Co., Ltd.	PRC	100,000,000	95.00%	—	Infrastructure and industrial investments
Jiangsu Sundian Engineering Co., Ltd.	PRC	35,000,000	—	95.50%	Construction and maintenance of expressway

None of the subsidiaries had issued any debt securities at the end of the year.