1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of GZI Transport Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases - Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 4	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

The adoption of new/revised HKASs 1, 7, 8, 16, 21, 23, 24, 27, 28, 31, 33, 36, 38, HKAS-Int 15, HKFRS 3 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and jointly controlled entities and other disclosures.
- HKASs 7, 8, 16, 23, 27, 28, 31, 33, 36, 38, HKAS-Int 15, HKFRS 3 and HK-Int 4 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit and loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of investment properties of which the changes in fair values are recorded in the income statement as part of other gains. In prior years, the increases in fair value were credited to the investment properties revaluation reserve; decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1st January 2005, the Group expenses the cost of share options in the income statement.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment has resulted from this reassessment.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 - the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 - prospective application for accounting goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 - does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to other investments for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, if any, are determined and recognised at 1st January 2005;
- HKAS 40 - since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property;
- HKAS-Int 15 does not require the recognition of incentives for leases beginning before 1st January 2005;
- HKFRS 2 - only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 - prospectively after the adoption date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

The effect of the changes in the accounting policies described above on equity, results and earnings per share are as follows:

	As at 1st January 2005 HK$'000
Equity	
Decrease in loans from minority shareholders of subsidiaries on fair value adjustment (note i)	**15,620**
Decrease in deferred taxation on change of basis of recovery of revalued assets (note ii)	**586**
	16,206

	For the year ended 31st December 2004 HK$'000
Results	
Deferred taxation credit on revalued assets (note ii)	586
Attributable to:	
Equity holders of the Company	586

	For the year ended 31st December 2004 HK cents
Earnings per share	
Basic and diluted	
Deferred taxation credit on revalued assets (note ii)	0.1

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

The following is a summary of the effect of changes in the accounting policies described above on individual accounting caption:

Increase/(decrease)	Effect on adoption of HKAS 17	(note i) Effect on adoption of HKAS 39	(note ii) Effect on adoption of HKAS – Int 21	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Income statement items for the year ended 31st December 2004				
Taxation	—	—	586	586
Earnings per share				
- basic and diluted (HK cents)	—	—	0.1	0.1
Balance sheet items as at 1st January 2005				
Leasehold land	2,124	—	—	2,124
Fixed assets	(2,124)	—	—	(2,124)
Total assets	—	—	—	—
Non-current borrowings	—	(15,620)	—	(15,620)
Deferred taxation	—	—	(586)	(586)
Total liabilities	—	(15,620)	(586)	(16,206)
Net assets	—	15,620	586	16,206
Reserves and total equity	—	15,620	586	16,206

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

- **HKAS 19 (Amendment), Employee Benefits** (effective from 1st January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from annual periods beginning 1st January 2006.

- **HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions** (effective from 1st January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31st December 2005 and 2004.

- **HKAS 39 (Amendment), The Fair Value Option** (effective from 1st January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1st January 2006.

- **HKAS 39 and HKFRS 4 (Amendments), Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts** (effective from 1st January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to HKAS 39 and concluded that it is not relevant to the Group.

- **HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources** (effective from 1st January 2006). These amendments are not relevant to the Group's operations, as the Group is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.

- **HKFRS 6, Exploration for and Evaluation of Mineral Resources** (effective from 1st January 2006). HKFRS 6 is not relevant to the Group's operations.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

- **HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements - Capital Disclosures** (effective from 1st January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

- **HKFRS–Int 4, Determining whether an Arrangement contains a Lease** (effective from 1st January 2006). HKFRS–Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS–Int 4 on the Group's operations.

- **HKFRS–Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds** (effective from 1st January 2006). HKFRS–Int 5 is not relevant to the Group's operations.

- **HK (IFRIC) – Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment** (effective from 1st December 2005). HK (IFRIC) – Int 6 is not relevant to the Group's operations.

(b) Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Consolidation (cont'd)

(i) Subsidiaries (cont'd)

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.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet the investments in subsidiaries are stated at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence in its management. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(iii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

(c) Interests in toll highways and bridges

Interests in toll highways and bridges comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructure is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 30 to 36 years over the projected total traffic volume throughout the life of the assets. The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change. Amortisation of intangible operating rights is provided on a straight-line basis over periods of 20 to 30 years in which the operating rights are held.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment

(i) Depreciation

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

Property, plant and equipment are depreciated at rates sufficient to write off their cost over their estimated useful lives to the Group on a straight-line basis. The principal annual rates used for this purpose are as follows:

Buildings	4%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 33%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(ii) Gain or loss on disposal of property, plant and equipment

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(iii) Cost of restoring and improving property, plant and equipment

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investment properties (cont'd)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are received for possible reversal of the impairment at each reporting date.

(g) Financial assets

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as other investments.

Other investments held for long term are stated at cost less accumulated impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair value have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial assets (cont'd)

From 1st January 2005 onwards:

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) Accounts and other receivable

Accounts and other receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(m) Revenue recognition

(i) Toll revenue is recognised on a receipt basis.

(ii) Dividend income is recognised when the right to receive payment is established.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Operating lease rental income is recognised on a straight-line basis.

(n) Borrowing costs

Borrowing costs are capitalised when funds are borrowed to finance the construction of highways and bridges up to the commencement of economic operations of the toll highways and bridges.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(p) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and economic risk), credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

Majority of the subsidiaries of the Group operates in the Mainland of China ("China") with most of the transactions denominated in Chinese Renminbi ("Renminbi"). The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars. It has not hedged its foreign exchange rate risk.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the China government.

(ii) Economic risk

The Group is exposed to economic risk as it operates and manages a limited number of toll highways and bridges which are mostly located in the Guangdong province in south China.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amount of the accounts receivable included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets.

2 FINANCIAL RISK MANAGEMENT (cont'd)

2.1 Financial risk factors (cont'd)

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk.

2.2 Fair value estimation

The nominal value less estimated credit adjustments of accounts receivable, accounts payable and balances with related parties are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Depreciation on interests in toll highways and bridges

Interests in toll highways and bridges of the Group and investee companies comprise tangible infrastructures and intangible operating rights. Depreciation of tangible infrastructures is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 2 per cent to 5 per cent.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (cont'd)

(b) Current taxation and deferred taxation

The Group is subject to taxation in Mainland China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4 TURNOVER

The Group is principally engaged in the operation and management of toll highways and bridges in China. Turnover recognised is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Toll revenue	**424,845**	400,212

No analysis of the Group's turnover and contribution to operating profit by activity and geographic area is presented as they were principally derived from the operations of the Group's toll projects in China.

Business segment information is not required as the revenue, results and assets of the toll operations represent more than 90 per cent of the total revenue, results and assets of the Group respectively.

5 OTHER GAINS, NET

	Group	
	2005	2004
	HK$'000	HK$'000
Interest income	**3,041**	1,303
Rental income	**264**	15
Gain on disposal of partial interest in a jointly controlled entity	**11,705**	—
Fair value gains/(losses) on investment properties	**1,306**	(1,691)
Others	**719**	835
	17,035	462

6 EXPENSES BY NATURE

Expenses included in toll highways and bridges maintenance expenses and general and administrative expenses are analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Amortisation of prepaid leasehold land (note 15)	**30**	122
Depreciation of property, plant and equipment (note 16(a))	**2,397**	2,427
Auditors' remuneration	**775**	770
Net exchange loss/(gain)	**11,486**	(952)
Outgoings in respect of investment properties	**25**	27
Staff costs (note 12)	**48,351**	25,016

7 FINANCE COSTS

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on bank borrowings	**8,103**	13,362
Interest on amount due to a minority shareholder of subsidiaries	**2,166**	2,185
Interest on loans from minority shareholders of subsidiaries	**15,620**	—
	25,889	15,547

8 TAXATION

(a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax during the year (2004: nil).

(b) China enterprise income taxation is provided on the profits of the Group's investments in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's investments in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years. The principal income tax rate is 18 per cent. Certain of the Group's investments in China are qualified for the aforesaid tax holiday.

8 TAXATION (cont'd)

(c) The amount of taxation charged to the consolidated income statement represents:

	Group	
		Restated
	2005	2004
	HK$'000	HK$'000
Current taxation		
China enterprise income tax	**35,532**	35,370
Deferred taxation (note 28)	**(1,099)**	(1,735)
	34,433	33,635

The taxation on the Group's profit before taxation less incomes from associates and jointly controlled entities differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2005	2004
	HK$'000	HK$'000
Profit before taxation less incomes from associates and jointly controlled entities	**107,799**	143,391
Calculated at a tax rate of 18 per cent (2004: 18 per cent)	**19,404**	25,810
Income not subject to tax	**(3,711)**	(873)
Expenses not deductible for tax purposes	**20,197**	10,504
Effect of different tax rates	**(1,457)**	(1,806)
Taxation charge	**34,433**	33,635

9 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$98,442,000 (2004: HK$85,041,000).

10 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**305,898**	277,029
Weighted average number of ordinary shares in issue ('000)	**1,114,929**	1,114,385
Basic earnings per share (HK cents)	**27.4**	24.9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**305,898**	277,029
Weighted average number of ordinary shares in issue ('000)	**1,114,929**	1,114,385
Adjustments for share options ('000)	**560**	922
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,115,489**	1,115,307
Diluted earnings per share (HK cents)	**27.4**	24.8

11 DIVIDENDS

	Company	
	2005	2004
	HK$'000	HK$'000
Interim, paid, of HK$0.05 (2004: HK$0.045) per share	**55,772**	50,151
Final, proposed, of HK$0.05 (2004: HK$0.0525) per share	**55,772**	58,524
	111,544	108,675

At a meeting held on 19th April 2006, the Directors proposed a final dividend of HK$0.05 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but is reflected as an appropriation of retained earnings for the year ended 31st December 2005.

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2005	2004
	HK$'000	HK$'000
Wages and salaries	**42,966**	22,953
Pension costs (defined contribution plans)	**2,167**	612
Social security costs	**1,241**	356
Staff welfare	**1,977**	1,095
	48,351	25,016

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees as defined in the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated as 5 per cent to 8 per cent and 5 per cent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5 per cent of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Government, and make monthly contributions to the retirement plans equivalent to 16 per cent to 24 per cent of the monthly salaries of the employees.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director for the year ended 31st December 2005 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive director				
OU Bingchang	—	720	832	1,552
LI Xinmin	—	690	624	1,314
LI Zhuo (e)	—	540	706	1,246
XIAO Boyan (b)	—	150	—	150
CHEN Guangsong	—	600	693	1,293
CHEN Jiahong (a)	—	500	653	1,153
LIANG Ningguang	—	600	693	1,293
LIANG Yi	—	600	693	1,293
DU Liangying (b)	—	150	—	150
DU Xinrang	—	600	784	1,384
HE Zili	—	570	659	1,229
ZHANG Siyuan	—	570	745	1,315
ZHONG Ming (b)	—	150	—	150
TAN Yuande (e)	—	450	588	1,038
HE Baiqing (e)	—	450	588	1,038
ZHANG Huping (d)	—	100	131	231
	—	7,440	8,389	15,829
Non-executive director				
POON Jing	38	—	—	38
FUNG Ka Pun*	68	—	—	68
LAU Hon Chuen Ambrose*	68	—	—	68
CHEUNG Doi Shu*	68	—	—	68
	242	—	—	242
	242	7,440	8,389	16,071

* *independent non-executive director*

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

The remuneration of every Director for the year ended 31st December 2004 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive director				
OU Bingchang	—	720	728	1,448
YIN Hui (c)	—	180	—	180
LI Xinmin	—	600	603	1,203
XIAO Boyan	—	600	607	1,207
CHEN Guangsong	—	600	607	1,207
CHEN Jiahong	—	600	603	1,203
LIANG Ningguang	—	600	607	1,207
LIANG Yi	—	600	607	1,207
DU Liangying	—	600	603	1,203
DU Xinrang	—	600	603	1,203
HE Zili	—	480	485	965
ZHANG Siyuan	—	480	482	962
ZHONG Ming	—	600	603	1,203
	—	7,260	7,138	14,398
Non-executive director				
POON Jing	38	—	—	38
FUNG Ka Pun*	38	—	—	38
LAU Hon Chuen Ambrose*	38	—	—	38
CHEUNG Doi Shu*	38	—	—	38
	152	—	—	152
	152	7,260	7,138	14,550

* *independent non-executive director*

Notes:

(a) Resigned on 2nd November 2005

(b) Resigned on 19th April 2005

(c) Resigned on 18th March 2004

(d) Appointed on 2nd November 2005

(e) Appointed on 19th April 2005

No Directors waived emoluments in respect of years ended 31st December 2005 and 2004. No emoluments were paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2005 and 2004 are also directors whose emoluments are reflected in the analysis presented above.

14 INTERESTS IN TOLL HIGHWAYS AND BRIDGES

	Group		
	Intangible operating rights HK$'000	Tangible infrastructure HK$'000	Total HK$'000
At 1st January 2004			
Cost	2,197,752	403,755	2,601,507
Accumulated amortisation/depreciation	(401,834)	(54,972)	(456,806)
Net book amount	1,795,918	348,783	2,144,701
Year ended 31st December 2004			
Opening net book amount	1,795,918	348,783	2,144,701
Amortisation/depreciation	(92,234)	(12,447)	(104,681)
Closing net book amount	1,703,684	336,336	2,040,020
At 31st December 2004			
Cost	2,197,752	403,755	2,601,507
Accumulated amortisation/depreciation	(494,068)	(67,419)	(561,487)
Net book amount	1,703,684	336,336	2,040,020
Year ended 31st December 2005			
Opening net book amount	1,703,684	336,336	2,040,020
Exchange differences	38,116	7,932	46,048
Amortisation/depreciation	(93,290)	(12,761)	(106,051)
Closing net book amount	1,648,510	331,507	1,980,017
At 31st December 2005			
Cost	2,248,518	413,462	2,661,980
Accumulated amortisation/depreciation	(600,008)	(81,955)	(681,963)
Net book amount	1,648,510	331,507	1,980,017

15 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysis as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**718**	2,124

	2005	2004
	HK$'000	HK$'000
At 1st January	**2,124**	3,961
Transfer to investment properties (note 17)	**(1,376)**	(1,715)
Amortisation of prepaid operating lease payment	**(30)**	(122)
At 31st December	**718**	2,124

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2004				
Cost	26,580	15,538	5,128	47,246
Accumulated depreciation	(6,725)	(4,952)	(2,924)	(14,601)
Net book amount	19,855	10,586	2,204	32,645
Year ended 31st December 2004				
Opening net book amount	19,855	10,586	2,204	32,645
Additions	—	454	213	667
Transfer to investment properties (note 17)	(4,476)	—	—	(4,476)
Disposals	—	(1)	—	(1)
Depreciation	(1,101)	(807)	(519)	(2,427)
Closing net book amount	14,278	10,232	1,898	26,408
At 31st December 2004				
Cost	19,864	15,883	5,332	41,079
Accumulated depreciation	(5,586)	(5,651)	(3,434)	(14,671)
Net book amount	14,278	10,232	1,898	26,408
Year ended 31st December 2005				
Opening net book amount	14,278	10,232	1,898	26,408
Exchange differences	—	217	41	258
Additions	21	279	—	300
Transfer to investment properties (note 17)	(1,028)	—	—	(1,028)
Depreciation	(749)	(1,146)	(502)	(2,397)
Closing net book amount	12,522	9,582	1,437	23,541
At 31st December 2005				
Cost	18,265	16,496	5,443	40,204
Accumulated depreciation	(5,743)	(6,914)	(4,006)	(16,663)
Net book amount	12,522	9,582	1,437	23,541

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2004			
Cost	1,241	1,731	2,972
Accumulated depreciation	(771)	(1,696)	(2,467)
Net book amount	470	35	505
Year ended 31st December 2004			
Opening net book amount	470	35	505
Additions	156	—	156
Depreciation	(45)	(10)	(55)
Closing net book amount	581	25	606
At 31st December 2004			
Cost	1,339	1,731	3,070
Accumulated depreciation	(758)	(1,706)	(2,464)
Net book amount	581	25	606
Year ended 31st December 2005			
Opening net book amount	581	25	606
Additions	47	22	69
Depreciation	(74)	(10)	(84)
Closing net book amount	554	37	591
At 31st December 2005			
Cost	1,378	1,753	3,131
Accumulated depreciation	(824)	(1,716)	(2,540)
Net book amount	554	37	591

17 INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	HK$'000
At 1st January	**4,500**	—
Transfer from leasehold land and buildings (notes 15 and 16(a))	**2,404**	6,191
Fair value gains/(losses) (note 5)	**1,306**	(1,691)
At 31st December	**8,210**	4,500

The investment properties of the Group were revalued at 31st December 2005 on the basis of their open market value as determined by an independent firm of professional surveyor, CS Surveyors Limited, employed by the Group.

The Group's interests in investment properties at their net book values are analysed as follows:

	2005	2004
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**8,210**	4,500

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**1,848,497**	1,848,497
Less: accumulated impairment losses	**(584,549)**	(584,549)
	1,263,948	1,263,948

Details of the principal subsidiaries of the Company are set out in note 35.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st December 2005.

(b) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

19 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group Share of net assets	
	2005	2004
	HK$'000	HK$'000
At 1st January 2005	**422,893**	330,621
Share of post-acquisition results and reserve		
- profit before taxation	**49,309**	13,609
- taxation	**(9,295)**	(3,497)
	40,014	10,112
Capital injection	**53,846**	82,160
Disposals	**(51,853)**	—
Exchange differences	**10,649**	—
At 31st December 2005	**475,549**	422,893

19 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (cont'd)

The Group's interest in its jointly controlled entities were as follows:

	Guangzhou Northern Second Ring Expressway Co., Ltd.		Guangzhou Western Second Ring Expressway Co., Ltd.	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Income	**117,549**	85,766	**—**	—
Expenses	**(77,535)**	(75,654)	**—**	—
Profit	**40,014**	10,112	**—**	—
Assets:				
Non-current assets	**920,716**	1,052,975	**399,211**	90,144
Current assets	**5,547**	8,476	**46,107**	13,681
	926,263	1,061,451	**445,318**	103,825
Liabilities:				
Non-current liabilities	**(558,225)**	(671,803)	**(175,000)**	—
Current liabilities	**(30,470)**	(48,915)	**(132,337)**	(21,665)
	(588,695)	(720,718)	**(307,337)**	(21,665)
Net assets	**337,568**	340,733	**137,981**	82,160

Details of the Group's jointly controlled entities are set out in note 35.

At 31st December 2005, Guangzhou Western Second Ring Expressway Co., Ltd., of which 35% interest is held by the Group, had a capital commitment of approximately HK$1,712,000,000 (2004: HK$2,528,000,000).

20 INVESTMENTS IN ASSOCIATES

	Group		
	Share of net assets	**Loans receivable**	**Total**
	HK$'000	HK$'000	HK$'000
At 1st January 2004	726,415	914,678	1,641,093
Share of post-acquisition results and reserve			
- profit before taxation	178,122	—	178,122
- taxation	(25,579)	—	(25,579)
	152,543	—	152,543
Dividends	(26,652)	—	(26,652)
Interests	—	30,383	30,383
Repayments	—	(152,247)	(152,247)
Exchange differences	(2,767)	217	(2,550)
At 31st December 2004	849,539	793,031	1,642,570
At 1st January 2005	849,539	793,031	1,642,570
Share of post-acquisition results and reserve			
- profit before taxation	202,211	—	202,211
- taxation	(17,797)	—	(17,797)
	184,414	—	184,414
Dividends	(53,229)	—	(53,229)
Interests	—	40,099	40,099
Repayments	—	(153,630)	(153,630)
Exchange differences	20,598	5,720	26,318
At 31st December 2005	1,001,322	685,220	1,686,542

The loan balances are unsecured, have no fixed repayment terms and bears interests at the prevailing US dollars prime rates ranging from 5.250% to 7.250% (2004: 4.000% to 5.250%) per annum and lending rates of financial institutions in China at 6.120% (2004: 6.120%) per annum.

20 INVESTMENTS IN ASSOCIATES (cont'd)

The carrying amounts of the loans receivable are denominated in the following currencies:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	**1,024**	9,181
US dollar	**351,808**	422,732
Renminbi	**332,388**	361,118
	685,220	793,031

The Group's interest in its associates were as follows:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northing Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets	**642,719**	647,663	**731,084**	732,735	**350,624**	211,243	**296,412**	305,636
Liabilities	**(439,207)**	(553,255)	**(402,969)**	(404,228)	**(131,070)**	(15,119)	**(46,271)**	(75,136)
Net assets	**203,512**	94,408	**328,115**	328,507	**219,554**	196,124	**250,141**	230,500
Revenue	**152,340**	136,821	**27,909**	29,365	**133,685**	118,888	**35,087**	43,488
Profit/(loss)	**102,723**	79,326	**(7,408)**	(17,357)	**71,503**	67,280	**17,596**	23,294

Details of the Group's associates are set out in note 35.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group
	2005
	HK$'000
At 1st January	**143,123**
Impairment losses	**(44,251)**
Decrease in fair value charged to equity (note 26)	**(36,088)**
Exchange differences	**3,141**
At 31st December	**65,925**

Balances represent financial assets of unlisted securities stated at fair value as at 31st December 2005.

22 OTHER INVESTMENTS

	Group
	2004
	HK$'000
Unlisted investments, at cost	176,743
Less: accumulated impairment losses	(33,620)
	143,123

23 ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Accounts and other receivables, deposits and prepayments approximate their fair values.

24 BANK BALANCES AND CASH

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**253,068**	157,597	**40,495**	44,232
Short-term bank deposits	**115,815**	31,253	**115,815**	31,253
	368,883	188,850	**156,310**	75,485

The effective interest rate on short-term bank deposits was 3.86% (2004: 0.90%); these deposits have an average maturity of 33 days.

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**82,935**	27,338	**82,838**	27,287
US dollar	**51,376**	47,054	**34,958**	31,356
Renminbi	**234,572**	114,458	**38,514**	16,842
	368,883	188,850	**156,310**	75,485

The conversion of the Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

25 SHARE CAPITAL

	Company Ordinary shares of HK$0.1 each Number of shares	HK$'000
Authorised:		
At 31st December 2004 and 31st December 2005	2,000,000,000	200,000
Issued and fully paid:		
At 1st January 2004	1,114,233,530	111,423
Issued under employee share option scheme	416,000	42
At 31st December 2004	1,114,649,530	111,465
Issued under employee share option scheme	792,000	79
At 31st December 2005	1,115,441,530	111,544

Share options

On 25th June 2002, the Company adopted a new share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the number of shares in issue as at 25th June 2002. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. As at 31st December 2005, no such options have been granted to any person since its adoption.

As at 31st December 2005, there were outstanding options granted under an old share option scheme to subscribe for shares of the Company. All options granted under the old share option scheme will continue to be valid and exercisable in accordance with the rules of the old share option scheme.

Movements in the number of share options outstanding and their related exercise price are as follows:

Date of grant	Exercise price per share	Balance outstanding as at 1st January		Options lased during the year		Options exercised during the year		Balance outstanding as at 31st December	
	HK$	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
7th April 2000	0.752	**1,114,000**	1,530,000	**(92,000)**	—	**(792,000)**	(416,000)	**230,000**	1,114,000

All outstanding options were exercisable as at 31st December 2005 and 2004. Options exercised in 2005 resulted in 792,000 shares (2004: 416,000 shares) being issued at HK$0.752 (2004: HK$0.752) each. The related weighted average share price at the time of exercise was HK$2.58 (2004: HK$2.26) per share.

The aforesaid share options are exercisable at any time within the period from the first anniversary date of the grant to the business day preceding the sixth anniversary date of the grant, of which a maximum of 30%, 60% and 100% thereof are exercisable from the first, second and third anniversaries of the date of grant respectively.

26 RESERVES

Group

	Share premium HK$'000	Capital reserve (note (a)) HK$'000	Capital contribution reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Retained earnings note (c) HK$'000	Total HK$'000
At 1st January 2004	576,676	1,705,497	—	14,623	29,049	—	873,138	3,198,983
Currency translation differences:								
- Group	—	—	—	(594)	—	—	—	(594)
- Associates	—	—	—	(2,550)	—	—	—	(2,550)
Profit for the year	—	—	—	—	—	—	277,029	277,029
Issue of shares	271	—	—	—	—	—	—	271
2003 Final dividend	—	—	—	—	—	—	(50,145)	(50,145)
2004 Interim dividend (note 11)	—	—	—	—	—	—	(50,151)	(50,151)
At 31st December 2004	576,947	1,705,497	—	11,479	29,049	—	1,049,871	3,372,843
Representing:								
Retained earnings							991,347	
2004 Final dividend proposed							58,524	
							1,049,871	
At 1st January 2005, as previously reported	576,947	1,705,497	—	11,479	29,049	—	1,049,285	3,372,257
Adjustment for deferred tax arising from revaluation of investment properties	—	—	—	—	—	—	586	586
At 1st January 2005, as restated	576,947	1,705,497	—	11,479	29,049	—	1,049,871	3,372,843
Opening adjustment on adoption of HKAS 39	—	—	15,620	—	—	—	—	15,620
Balance at 1st January 2005 after opening adjustment, as restated	576,947	1,705,497	15,620	11,479	29,049	—	1,049,871	3,388,463
Currency translation differences								
- Group	—	—	—	43,935	—	—	—	43,935
- Associates	—	—	—	36,967	—	—	—	36,967
Decrease in fair value of available-for-sale financial assets	—	—	—	—	—	(36,088)	—	(36,088)
Fair value adjustment on loans from minority shareholders of subsidiaries	—	—	15,620	—	—	—	—	15,620
Profit for the year	—	—	—	—	—	—	305,898	305,898
Issue of shares	516	—	—	—	—	—	—	516
2004 Final dividend (note 11)	—	—	—	—	—	—	(58,524)	(58,524)
2005 Interim dividend (note 11)	—	—	—	—	—	—	(55,772)	(55,772)
At 31st December 2005	577,463	1,705,497	31,240	92,381	29,049	(36,088)	1,241,473	3,641,015
Representing:								
Retained earnings							1,185,701	
2005 Final dividend proposed							55,772	
							1,241,473	

26 RESERVES (cont'd)

Group (cont'd)

(a) Reserve arising from consolidation represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration therefor on 30th November 1996.

(b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, associates and jointly controlled entities in China. As stipulated by regulations in China, the Company's subsidiaries, associates and jointly controlled entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Foreign Investment Enterprises Accounting Standards in China, upon approval by the board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. Included in the Group's statutory reserves is HK$1,536,000 (2004: HK$1,536,000) attributable to an associate.

(c) Included in the Group's retained earnings are retained earnings of HK$486,007,000 (2004: HK$344,891,000) and accumulated losses of HK$10,700,000 (2004: HK$54,116,000) attributable to associates and jointly controlled entities respectively.

26 RESERVES (cont'd)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2004	576,676	1,773,497	386,170	2,736,343
Profit for the year	—	—	85,041	85,041
Issue of shares	271	—	—	271
2003 Final dividend	—	—	(50,145)	(50,145)
2004 Interim dividend (note 11)	—	—	(50,151)	(50,151)
At 31st December 2004	576,947	1,773,497	370,915	2,721,359
Representing:				
Retained earnings			312,391	
2004 Final dividend proposed			58,524	
			370,915	
At 1st January 2005	576,947	1,773,497	370,915	2,721,359
Profit for the year	—	—	98,442	98,442
Issue of shares	516	—	—	516
2004 Final dividend (note 11)	—	—	(58,524)	(58,524)
2005 Interim dividend (note 11)	—	—	(55,772)	(55,772)
At 31st December 2005	577,463	1,773,497	355,061	2,706,021
Representing:				
Retained earnings			299,289	
2005 Final dividend proposed			55,772	
			355,061	

The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 30th November 1996. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is classified as components of reserves of the underlying subsidiaries.

27 BORROWINGS

	Group	
	2005	2004
	HK$'000	HK$'000
Non-current		
Long-term bank borrowings	**—**	112,676
Loans from minority shareholders of subsidiaries	**421,864**	438,547
	421,864	551,223
Current		
Short-term bank borrowings	**67,308**	65,728
Current portion of long-term bank borrowings	**76,923**	5,634
	144,231	71,362
Total borrowings, unsecured and denominated in Renminbi	**566,095**	622,585

(a) The maturity of bank borrowings is as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**144,231**	71,362
In the second year	**—**	112,676
	144,231	184,038

The loans from minority shareholders of subsidiaries are not repayable within one year.

(b) The effective interest rate of bank borrowings at the balance sheet date was 5.184% (2004: 5.049%).

Except for an aggregate amount of HK$120,561,000 (2004: HK$120,561,000) which bears interest at the prevailing lending rates of financial institutions in China of 6.120% (2004: 5.760% to 6.120%) per annum, the loans from minority shareholders of subsidiaries are interest-free.

27 BORROWINGS (cont'd)

(c) The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings	**—**	112,676	**—**	112,676
Loans from minority shareholders of subsidiaries	**421,864**	438,547	**421,864**	422,927
	421,864	551,223	**421,864**	535,603

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5% (2004: 5%).

The carrying amounts of current borrowings approximate their fair value.

28 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

Deferred taxation as at 31st December represents:

	Group	
		Restated
	2005	2004
	HK$'000	HK$'000
Deferred tax assets		
Hong Kong profits tax	**(417)**	(586)
Deferred tax liabilities		
China enterprise income tax	**5,985**	7,253
	5,568	6,667

The gross movement on the deferred taxation account is as follows:

	Group	
		Restated
	2005	2004
	HK$'000	HK$'000
At 1st January	**6,667**	8,402
Credited in the income statement (note 8(c))	**(1,099)**	(1,735)
At 31st December	**5,568**	6,667

28 DEFERRED TAXATION (CONT'd)

The detail movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets:

	Revaluation of investment properties HK$'000
At 1st January 2004	—
Credited to income statement	(586)
At 31st December 2004	(586)
Charged to income statement	169
At 31st December 2005	(417)

Deferred tax liabilities:

	Accelerated depreciation HK$'000
At 1st January 2004	8,402
Credited to income statement	(1,149)
At 31st December 2004	7,253
Credited to income statement	(1,268)
At 31st December 2005	5,985

29 AMOUNTS DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES AND HOLDING COMPANIES

The amounts are unsecured, repayable on demand and denominated in Renminbi.

At 31st December 2005, the amounts are interest free. At 31st December 2004, an amount of HK$53,719,000 due to a minority shareholder of subsidiaries bore interest at 4.0 per cent per annum and the remaining amounts were interest free.

30 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash generated from operations

	2005	2004
	HK$'000	HK$'000
Operating profit	**133,688**	158,938
Interest income	**(3,041)**	(1,303)
Amortisation/depreciation of interests in toll highways and bridges	**106,051**	104,681
Amortisation of prepaid leasehold land	**30**	122
Depreciation of property, plant and equipment	**2,397**	2,427
Impairment losses on available-for-sale financial assets	**44,251**	—
Fair value (gains)/losses on investment properties	**(1,306)**	1,691
Gain on disposal of partial interest in a jointly controlled entity	**(11,705)**	—
Exchange differences	**11,486**	(952)
Operating profit before working capital changes	**281,851**	265,604
(Increase)/decrease in receivables, deposits and prepayments	**(5,710)**	615
Decrease in payables and accrued charges	**(3,828)**	(28,282)
Net cash generated from operations	**272,313**	237,937

31 CONTINGENT LIABILITIES

At 31st December 2005 and 2004, the Group has pledged the income derived from its 24.3% effective interest in an associate to a bank in favour of a joint venture partner in this associate (the "Joint Venture Partner"), in respect of the repayment of a bank loan by the Joint Venture Partner amounting to Rmb500,000,000 and interest thereon (collectively referred to as "Relevant Loan").

A counter-indemnity has been provided by the Joint Venture Partner to the Group against all liabilities arising from such pledge. In addition, Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the ultimate holding company of the Company, has issued an indemnity to the Group under which any shortfall between the counter-indemnity given by the Joint Venture Partner and the Relevant Loan to the bank will be satisfied/paid by Yue Xiu if the counter-indemnity given by the Joint Venture Partner to the Group is insufficient to cover the Relevant Loan.

32 COMMITMENTS

At 31st December 2005, the Group had financial commitments in respect of equity capital to be injected to a jointly controlled entity of approximately HK$198,558,000 (2004: HK$247,990,000), and future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises as follows:

	2005	2004
	HK$'000	HK$'000
Lease payments		
Not later than one year	**202**	—
Lease receipts		
Not later than one year	**293**	—
Later than one year and not later than five years	**29**	—
	322	—

The Company had no commitments at 31st December 2005 and 2004.

33 RELATED PARTY TRANSACTIONS

(a) Related parties

The Group is controlled by GZI Transport (Holdings) Limited, which owns approximately 67% of the Company's shares. The Company's Directors regard Yue Xiu (incorporated in Hong Kong) to be the ultimate holding company.

Related parties are those parties which have 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. The table set forth below summarised the names of significant parties and nature of relationship with the Company as at 31st December 2005:

Significant related party	**Relationship with the Company**
Yue Xiu	The ultimate holding company
Guangzhou Investment Company Limited ("GZI")	An intermediate holding company
Guangzhou Highways Development Company ("GHDC"), a state-controlled enterprise	A minority shareholder of subsidiaries
Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR")	A jointly controlled entity of a subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd.	A jointly controlled entity of a subsidiary
Guangdong Humen Bridge Co., Ltd.	An associate of a subsidiary
Guangdong Qinglian Highway Development Co., Ltd.	An associate of a subsidiary
Guangdong Shantou Bay Bridge Co., Ltd.	An associate of a subsidiary
Guangzhou Northring Freeway Co., Ltd.	An associate of a subsidiary
Other state-controlled enterprises	Related parties of the Company

33 RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with related parties other than state-controlled enterprises

	2005 HK$'000	2004 HK$'000
Administrative service fees shared with GZI	**1,300**	1,300
Rental expenses paid to Yue Xiu	**202**	—

(c) Key management compensation

	2005 HK$'000	2004 HK$'000
Salaries and other short-term benefits	**16,071**	14,550

(d) Transactions with state-controlled enterprises

The Group is ultimately controlled by the Chinese government, which also controls a significant portion of the productive assets and entities in China. The Group develops, operates and manages toll highways and bridges and thus, is likely to have extensive transactions with the vehicles and employees of state controlled entities while such employees are on corporate business as well as key management personnel and their close family members. These transactions are carried out on normal commercial terms that are consistently applied to all users and are made on a cash basis. Due to the vast volume and the pervasiveness of these transactions, the management is unable to determine the aggregate amount of the transactions for disclosure. Management believes that meaningful information relative to related party disclosures has been adequately disclosed.

(i) On 29th December 2005, the Group entered into an agreement to transfer 6% of its equity interest in GNSR to GHDC for a cash consideration of HK$63,558,000.

(ii) As at 31st December 2005 and 2004, all bank deposits and bank borrowings were with state-controlled banks.

For the years ended 31st December 2005 and 2004, all bank deposits interest incomes were from and all bank borrowings interest expenses were paid to state-controlled banks.

(iii) For the year ended 31st December 2004, toll roads management fees paid and payable to GHDC amounted to HK$62,235,000.

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 19th April 2006.

35 GROUP STRUCTURE

As at 31st December 2005, the Company held shares/interest in the following principal subsidiaries, jointly controlled entities and associates.

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2005 and 2004		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Guangzhou Nanxin Highways Development Company Limited	People's Republic of China, limited liability company	Rmb141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen
Guangzhou Qiaowei Highways Development Company Limited	People's Republic of China, limited liability company	Rmb12,326,000	—	100	Investment holding in Guangzhou Suiqiao Development Company Limited
Guangzhou Suiqiao Development Company Limited	People's Republic of China, limited liability company	Rmb1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.

35 GROUP STRUCTURE (cont'd)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2005 and 2004 Direct	Indirect	Principal activities
Guangzhou Taihe Highways Development Company Limited	People's Republic of China, limited liability company	Rmb155,980,000	—	80	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua
Guangzhou Tailong Highways Development Company Limited	People's Republic of China, limited liability company	Rmb116,667,000	—	51	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 1909 linking Conghua and Longtan
Guangzhou Weian Highways Development Company Limited	People's Republic of China, limited liability company	Rmb175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou
Guangzhou Xinguang Highways Development Company Limited	People's Republic of China, limited liability company	Rmb143,333,000	—	55	Development and management of Guanghua Highway linking Guangzhou and Huadu
Guangzhou Yue Peng Information Ltd.	People's Republic of China, limited liability company	Rmb160,000,000	—	100	Investment holding

35 GROUP STRUCTURE (cont'd)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2005 and 2004		Principal activities
			Direct	Indirect	
Hunan Yue Tung Highway and Bridge Development Company Limited	People's Republic of China, limited liability company	Rmb21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding
Kinleader Co., Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guandong Humen Bridge Co., Ltd.
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding
Proterall Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Qiaowei Highways Development Company Limited

35 GROUP STRUCTURE (cont'd)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2005 and 2004		Principal activities
			Direct	Indirect	
Shaanxi Jinxiu Transport Co., Limited	People's Republic of China, limited liability company	Rmb100,000,000	—	100	Development and management of Xian-Lintong Expressway in Shaanxi Province
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited

35 GROUP STRUCTURE (cont'd)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2005 and 2004 Direct	Indirect	Principal activities
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited

	Place of establishment and operation	Issued and fully paid up share capital/registered capital	Percentage of voting power	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Jointly controlled entities						
Guangzhou Northern Second Ring Expressway Co., Limited	People's Republic of China	Rmb900,000,000	40	—	40 (2004: 46)	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Western Second Ring Expressway Co., Limited	People's Republic of China	Rmb1,000,000,000	33	—	35 (2004: 35)	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

35 GROUP STRUCTURE (cont'd)

	Place of establishment and operation	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2005 and 2004		Principal activities
			Direct	Indirect	
Associates					
Guangdong Humen Bridge Co., Ltd.	People's Republic of China	Rmb273,900,000	—	25	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Co., Ltd.	People's Republic of China	Rmb1,200,000,000	—	23.6	Development and management of National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Co., Ltd.	People's Republic of China	Rmb75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Co., Ltd.	People's Republic of China	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road