1 General information

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on 30 December 1996. The principal activities of the Company, its subsidiaries and its jointly controlled entities (collectively the "Group") are the development, operation and management of toll highways and expressways in the PRC.

The address of the registered office of the Company is 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the PRC.

The H shares and A shares of the Company are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2007.

The names of some of the companies referred to in these financial statements represent management's best efforts on translating the Chinese names of these companies as no English names have been registered.

2 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.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). This basis of accounting differs in certain respects from that used in the preparation of the Group's PRC statutory financial statements. The PRC statutory financial statements of the Group have been prepared in accordance with accounting principles and financial regulations applicable to the Group in the PRC (the "PRC GAAP"). Appropriate restatements have been made to the PRC statutory financial statements to conform with HKFRS. Differences arising from the restatements are not incorporated in the Group's accounting records.

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

The Group reported net current liabilities of approximately RMB1,572,697,000 as at 31 December 2006. The directors of the Company made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating positive and increasing operating cash flows and it has maintained good relationship with banks that it has not experienced any difficulties in renewing its banking facilities. In addition, the Company is going to issue bonds attached with warrant rights, and the Group had unutilised committed banking facilities of approximately RMB4.9 billion at 31 December 2006 in order to meet its obligations and commitments. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

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 Group'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 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following standard, amendments and interpretations are effective in 2006. Unless otherwise specified, they are not relevant to the Group's operations or have no material impact on the financial statements of the Group:

- Amendment to HKAS 19, 'Actuarial Gains and Losses, Group Plans and Disclosures', effective for annual periods beginning on or after 1 January 2006;

- Amendment to HKAS 21, 'Net Investment In a Foreign Operation', effective for annual periods beginning on or after 1 January 2006;

- Amendment to HKAS 39, 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions', effective for annual periods beginning on or after 1 January 2006;

- Amendment to HKAS 39, 'The Fair Value Option', effective for annual periods beginning on or after 1 January 2006;

- Amendments to HKAS 39 and HKFRS 4, 'Financial Guarantee Contracts', effective for annual periods beginning on or after 1 January 2006;

- HKFRS 6, 'Exploration for and Evaluation of Mineral Resources', effective for annual periods beginning on or after 1 January 2006;

- Amendments to HKFRS 1 and 6, 'First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources', effective for annual periods beginning on or after 1 January 2006;

- HKFRS-Int 4, 'Determining whether an Arrangement contains a Lease', effective for annual periods beginning on or after 1 January 2006. The Group has reviewed all its executed contracts. None of them are required to be accounted for as leases in accordance with HKAS 17, 'Leases';

- HKFRS-Int 5, 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds', effective for annual periods beginning on or after 1 January 2006. As all toll road assets of the Group are required to be returned to the local government authorities upon the expiry of the respective operating rights periods granted (Note 5(b)), this interpretation is not relevant to the Group; and

- HK(IFRIC)-Int 6, 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment', effective for annual periods beginning on or after 1 December 2005.

The following new standard and interpretations to existing standards have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, 'Applying the Restatement Approach under HKAS 29', effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;

- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1 May 2006. Management do not expect the interpretation to be relevant for the Group;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management do not expect the interpretation to be relevant for the Group;

- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation explains that management should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or investment in either an equity instrument or a financial asset carried at cost. This interpretation is applicable to the Group and the Group will apply it for the annual periods beginning 1 January 2007;

- HK(IFRIC)-Int 11, 'HKFRS 2-Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. Management do not expect the interpretation to be relevant for the Group;

- HK(IFRIC)-Int 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008. This interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements. This interpretation is applicable to the Group and the Group will apply it for the annual periods beginning 1 January 2008; and

- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. Amendment to HKAS 1, 'Capital Disclosures', effective for annual periods beginning on or after 1 January 2007. 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 capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 for annual periods beginning 1 January 2007.

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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 (Note 2.7(a)). 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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority shareholders

The Group applies a policy of treating transactions with minority interests as transactions with equity holders of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.7(a)).

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. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (Note 2.8). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(d) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the Group's purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.8). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.3 Foreign currency translation

(a) 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"). All the entities within the Group have determined RMB as their functional currency. The consolidated financial statements are also presented in RMB, the Company's functional and presentation currency.

(b) 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.

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of toll roads is calculated to write off their costs on an units-of-usage basis according to the HK Int-1 'The Appropriate Policies for Infrastructure Facilities' issued by the Hong Kong Institute of Certified Public Accountants, whereby depreciation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads. It is the Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Depreciation of buildings and structures is calculated to allocate their costs to their estimated residual values on a straight-line basis over the unexpired periods of the leases or the unexpired periods of the rights to operate the relevant roads or their expected useful lives, whichever is shorter. The estimated useful lives of buildings and structures are 10 to 30 years.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives, as follows:

Equipment	
– traffic related	8 - 10 years
– electronic and others	5 - 10 years
Motor vehicles	5 - 6 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other operating expenses, in the income statement.

2.5 Construction in progress

Construction in progress is stated at cost which includes development expenditure and other direct costs, including borrowing costs on the related borrowed funds during the construction period, attributable to the development of the qualifying assets (Note 2.18). Costs are transferred to property, plant and equipment upon completion.

2.6 Land use rights

The up-front prepayments made for land use rights are expensed in the income statement on a straight-line basis over the lease or where there is impairment, the impairment is expensed in the income statement.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in interests in associates and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Toll road operating right

Toll road operating right is capitalised on the basis of the costs incurred to acquire the right and is amortised using the straight-line method over the approved operating period.

2 Summary of significant accounting policies (continued)

2.8 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. During the year, the Group only held financial assets in the category of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.12).

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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.

2.10 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.11 Inventories

Inventories mainly represent toll tickets and materials and spare parts for the repairs and maintenance of expressways, and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Summary of significant accounting policies (continued)

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

2.15 Deferred income tax

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 financial statements. However, the deferred income tax is not accounted for if it 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, jointly controlled entities and associates, 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.

2 Summary of significant accounting policies (continued)

2.16 Employee benefits

(a) Pension obligations

The Group participates in the municipal retirement schemes which are organised by the local government authorities in the PRC. The schemes are defined contribution plans, under which the Group pays fixed contributions to the local social security administration bureaus and the Group has no legal or constructive obligations to pay further contributions if the bureaus do not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the schemes by the Group are calculated as a percentage of employees' basic salaries, subject to a certain ceiling.

The Group pays contributions to the schemes on a mandatory basis and the contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Company operates the Appreciation Right Scheme, which is a cash-settled, share-based compensation plan. Under the Appreciation Right Scheme, Appreciation Rights are granted to management employee and can be exercised from the date of grant and before the respective expiry dates. A bonus award in the form of cash payment will be made to the extent of the surplus of the prevailing share price at exercise date over the pre-determined exercise price of the Appreciation Rights at the date of grant.

The fair value of the employee services received in exchange for the Appreciation Rights is recognised as an expense. The liability incurred is measured, initially and at each reporting date until settled, at the fair value of the liability, taking into account the terms and conditions on which the Appreciation Rights were granted, and the extent to which the employees have rendered service to date. Any changes in fair value are recognised in the income statement.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses based on a computation method which takes into consideration the amount of profit attributable to the Company's shareholders, after making certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

2.18 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Toll revenue

Toll revenue from operation of toll roads is recognised on a receipt basis.

(b) Construction management services income

Construction management services income represents the amount of cost savings (the "Savings") achieved in toll road construction management projects engaged by the Group which are determined by comparing the total actual construction costs with the budgeted total construction costs of the projects; or represents a proportion of the Savings as defined in the service agreements entered into with the contract parties.

When the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred, to the extent that such expenses are probable to be recovered.

(c) Income from other services

Income from advertising services are derived from advertisements placed by advertisers on the outdoor advertising billboards owned by the Group. The related revenue is recognised ratably over the period in which the advertisements are displayed.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Dividend income

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

(f) Government subsidy income

Government grant in relation to subsidise toll revenues and construction of toll roads are recognised in accordance with the policy as stated in Note 2.20. Other subsidy income is recognised on a receipt basis or when there is a reasonable assurance that the subsidy will be received.

2 Summary of significant accounting policies (continued)

2.20 Government grants

Grants from government are recognised when there is reasonable assurance that the grant will be received.

Government grants provided to the Group to subsidise the toll revenues of a specific toll road are recognised as deferred income in the balance sheet. They are amortised over the period during which the Group is granted the right to operate such toll road. The subsidies recognised in each accounting period is computed based on the actual traffic volume of a period over the total projected traffic volume throughout the whole approved operating period of the toll road. Subsidies recognised for each accounting period is in reverse proportion with the actual traffic volume of the respective period.

Government grants relating to the construction and purchase of property, plant and equipment are included in non-current liabilities. Upon completion of the construction of related assets, grants are transferred to deferred income and are credited to the income statement on the same basis as depreciation provided on the relevant assets over their expected useful lives.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), liquidity risk and cash flow interest rate risk.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. It did not have significant exposure to foreign exchange risk in the PRC, except for certain cash at bank balances of RMB55,407,000 and bank borrowings of RMB162,761,000 which were denominated in Hong Kong dollars ("HKD") and other borrowings of RMB26,169,000 which were denominated in United States dollars ("USD") respectively as at 31 December 2006. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by arranging banking facilities and other external financing.

The Group had unutilised available committed borrowing facilities of approximately RMB4.9 billion at 31 December 2006. The directors of the Company believe that such facilities would enable the Group to meet its obligations and capital commitments as and when they fall due.

(c) 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 used any interest rate swaps to hedge its exposure to interest rate risk during the year.

3 Financial risk management (continued)

3.2 Fair value estimation

The carrying value less impairment provision, if any, for financial assets and liabilities with a maturity of less than one year, is a reasonably approximation of 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.

4 Critical accounting estimates and judgements

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 and liabilities within the next financial year are discussed below.

(a) Depreciation of toll roads and recognition of deferred income

As explained in details in Notes 2.4 and 2.20, depreciation of toll road related assets and recognition of deferred income of the Group are calculated and determined based on the total projected traffic volume throughout the approved operating periods of the respective toll roads ("Total Projected Traffic Volume") under the related concessionary rights granted to the Group by the local governments. Material adjustments may need to be made to the carrying amounts of toll roads and deferred income should there be a material difference between the Total Projected Traffic Volume and the actual results.

As an established policy of the Group as stated in Note 2.4, the Total Projected Traffic Volume is reviewed regularly by the directors of the Company. Independent professional traffic studies are also performed periodically in order to ascertain any appropriate adjustments that should be made when there have be material changes. In 2006, the Group appointed professional traffic consultants in the PRC to perform independent professional traffic studies on the Total Projected Traffic Volume of respective major toll roads operated by the Group. The Group also provided depreciation of respective toll roads for the year based on the adjusted Total Projected Traffic Volume according to the results of the studies. The directors of the Company considered that these are the best current estimates on the Total Projected Traffic Volume.

(b) Revenue recognition relating to construction management contract

For the year ended 31 December 2006, the Group recognised project management services income of RMB29,203,000 in relation to construction management services rendered for a construction project, the Nanping Freeway (Phase I) project ("Nanping Project"). The Nanping Project is undertaken on behalf of the local government authorities (Note 23(a)). The project management income is recognised based on the percentage of completion method (details laid down in the Group's accounting policies as stated in Note 2.19(b)) and the aggregate income recognised was RMB102,859,000 as at 31 December 2006. The accuracy of recognition of such income rests on estimates made by the directors on the total budgeted project costs to be approved by the government authorities, as well as the total estimated costs to be incurred in order to complete the project.

Due to the fact that the total budgeted project costs had not been finalised with the related government authorities as at 31 December 2006, the directors made the best estimate of the amounts based on the relevant communication results made with the authorities and information obtained from them.

In ascertaining the total costs of the project to be incurred up to completion, the directors have made reference to the actual costs incurred to date and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders made with the contractors, and the related construction and design plans. The directors have also applied their relevant professional judgement and industry experience as required and/or appropriate.

4 Critical accounting estimates and judgements (continued)

(b) Revenue recognition relating to construction management contract (continued)

Were the magnitudes of the final approved project costs and the total costs to be incurred for the project were to be differed by 5% from management's current estimates, the Group would have to report a higher project management services income of approximately RMB115,874,000 if the change is favorable, or it is required to report a project management services loss of approximately RMB172,000,000 if the change is unfavorable, for the next year.

(c) Impairment provision of toll road assets

In accordance with the accounting policy stated in Note 2.8, the Group performs impairment tests on property, plant and equipment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In 2003, the Company recognised an impairment provision of RMB77,000,000 on the toll road assets of Hunan Changsha Shenchang Expressway Company Limited ("Shenchang Company"), a jointly controlled entity of the Company, in its consolidated financial statements by applying proportionate consolidation based on the Company's equity interest in Shenchang Company. In current year, there is indication that the toll road assets of Shenchang Company are subject to further impairment losses, the Company appointed a valuer in the PRC to re-assess the recoverable amount of the relevant assets. According to the relevant assessment results, additional impairment provision of RMB57,000,000 had been made in current year. As a result, the cumulative impairment provision made against the assets was RMB134,000,000 as at 31 December 2006.

The assessment of the recoverable amount was determined based on value-in-use calculations, as well as the re-projected traffic volume throughout the unexpired operating period of the toll road of Shenchang Company as assessed by a professional traffic consultant appointed by the Company. The accuracy of the valuation and assessment rests on various estimates and assumptions employed in the compilation of a discounted projected cash flow model, which include projected growth/increase of traffic volume and toll rates, the economic development of the area where Shenchang Company's toll road is located, the impact arising from any future toll road network plans to be enacted, the impact of the toll road conditions and any maintenance and overhaul activities to be undertaken, as well as the enterprise income tax rate and pre-tax discount rate reflecting specific industry risks relating to the toll road operations applied. The directors of the Company have made these assumptions based on the best estimates developed from the current market conditions.

Were the assessed recoverable amount of Shenchang Company's toll road were to differ from the current estimates made by the directors of the Company by 5% favorably or unfavorably, the Group would have to report a reversal of impairment loss previously recognised or a further impairment loss of approximately RMB12,910,000 for the next year.

(d) Estimate of costs of a completed toll road project

In May 2006, a toll road project constructed by the Company, the Yanpai Expressway, had been completed and was put into operation. Accordingly, the related assets were transferred from construction in progress to property, plant and equipment according to the relevant categories of toll road assets constructed with depreciation started to be provided thereon. Due to the fact that the final determination of the total costs incurred for the construction of such assets had not been finalised up to the date of approval of these financial statements, pending the finalisation of certain verification assessments and agreements to be made/reached by the relevant contractors and third party agents, the directors of the Company made estimate on the total costs of the assets at approximately RMB897,331,000 based on information available such as the budgeted project costs, actual project costs incurred and the outstanding bills and claims filed by the contractors which had not yet been settled, etc. The directors of the Company consider that these are the best current estimates on the total assets costs and they consider that there should not be material differences that would arise from the actual results derived from the final assessments to be made/final agreements to be reached.

5 Property, plant and equipment

Group

	Toll roads RMB'000	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2005					
Cost	4,076,920	241,002	249,865	18,996	4,586,783
Accumulated depreciation	(231,539)	(41,384)	(93,825)	(12,672)	(379,420)
Accumulated impairment loss (Note (c))	(77,000)	—	—	—	(77,000)
Net book amount	3,768,381	199,618	156,040	6,324	4,130,363
Year ended 31 December 2005					
Opening net book amount	3,768,381	199,618	156,040	6,324	4,130,363
Transfer from construction in progress (Note 6)	17,340	7,123	15,435	—	39,898
Additions	—	255	2,759	1,835	4,849
Acquisition of a jointly controlled entity	—	1,460	8,667	352	10,479
Disposals	—	—	(434)	(64)	(498)
Depreciation	(94,527)	(9,608)	(24,069)	(1,806)	(130,010)
Closing net book amount	3,691,194	198,848	158,398	6,641	4,055,081
At 31 December 2005					
Cost	4,094,260	250,253	278,019	20,494	4,643,026
Accumulated depreciation	(326,066)	(51,405)	(119,621)	(13,853)	(510,945)
Accumulated impairment loss (Note (c))	(77,000)	—	—	—	(77,000)
Net book amount	3,691,194	198,848	158,398	6,641	4,055,081
Year ended 31 December 2006					
Opening net book amount	3,691,194	198,848	158,398	6,641	4,055,081
Transfer from construction in progress (Note 6)	836,699	24,098	54,963	—	915,760
Additions	—	461	5,268	1,935	7,664
Disposals	(8,771)	(11)	(115)	(180)	(9,077)
Depreciation	(114,487)	(10,025)	(27,666)	(2,101)	(154,279)
Transfer to disposal group classified as held for sale (Note 15(a))	(11,357)	(716)	(272)	(86)	(12,431)
Impairment (Note (c))	(57,000)	—	—	—	(57,000)
Closing net book amount	4,336,278	212,655	190,576	6,209	4,745,718
At 31 December 2006					
Cost	4,905,847	273,738	336,705	19,273	5,535,563
Accumulated depreciation	(435,569)	(61,083)	(146,129)	(13,064)	(655,845)
Accumulated impairment loss (Note (c))	(134,000)	—	—	—	(134,000)
Net book amount	4,336,278	212,655	190,576	6,209	4,745,718

5 Property, plant and equipment (continued)

Company

	Toll roads RMB'000	Buildings and structures RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2005					
Cost	2,036,465	144,260	153,986	5,273	2,339,984
Accumulated depreciation	(78,921)	(16,612)	(45,802)	(1,923)	(143,258)
Net book amount	1,957,544	127,648	108,184	3,350	2,196,726
Year ended 31 December 2005					
Opening net book amount	1,957,544	127,648	108,184	3,350	2,196,726
Transfer from construction in progress (Note 6)	—	5,441	10,029	1,227	16,697
Additions	—	—	1,410	—	1,410
Disposals	—	—	(129)	(590)	(719)
Depreciation	(34,848)	(4,680)	(15,294)	(781)	(55,603)
Closing net book amount	1,922,696	128,409	104,200	3,206	2,158,511
At 31 December 2005					
Cost	2,036,465	149,701	165,296	5,910	2,357,372
Accumulated depreciation	(113,769)	(21,292)	(61,096)	(2,704)	(198,861)
Net book amount	1,922,696	128,409	104,200	3,206	2,158,511
Year ended 31 December 2006					
Opening net book amount	1,922,696	128,409	104,200	3,206	2,158,511
Transfer from construction in progress (Note 6)	786,309	23,023	49,552	—	858,884
Additions	—	494	2,208	1,056	3,758
Disposals	(826)	—	(90)	(76)	(992)
Depreciation	(52,306)	(5,481)	(19,228)	(1,534)	(78,549)
Closing net book amount	2,655,873	146,445	136,642	2,652	2,941,612
At 31 December 2006					
Cost	2,821,948	173,218	216,462	5,442	3,217,070
Accumulated depreciation	(166,075)	(26,773)	(79,820)	(2,790)	(275,458)
Net book amount	2,655,873	146,445	136,642	2,652	2,941,612

5 Property, plant and equipment (continued)

(a) The toll roads and buildings of the Group are all located in the PRC.

(b) The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for periods ranging from 15 to 30 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are non-renewable and the Group does not have any termination options. Accordingly, except for the Airport-Heao Expressway (Western Section) operated by the Company, the Meiguan Expressway operated by Shenzhen Meiguan Expressway Company Limited ("Meiguan Company"), a subsidiary of the Company, and the Airport-Heao Expressway (Eastern Section) operated by Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao Eastern"), a jointly controlled entity of the Company, the Group has not obtained the relevant land use rights in relation to the toll roads owned and operated by the Group.

(c) The accumulated impairment loss represents the impairment loss provision against the carrying value of a toll road operated by Shenchang Company, a jointly controlled entity of the Company. In previous years, an impairment loss provision of RMB77,000,000 had been made against the toll road. In current year, a further impairment loss provision of RMB57,000,000 was made based on an assessment made by the directors of the Company.

6 Construction in progress

	Group		Company	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**693,443**	286,584	**648,089**	280,242
Additions	**1,126,353**	412,729	**1,068,350**	389,861
Reversal of provision for impairment	**—**	40,000	**—**	—
Transfer to property, plant and equipment (Note 5)	**(915,760)**	(39,898)	**(858,884)**	(16,697)
Transfer to non-current assets classified as held for sale (Note 9(b))	**(42,544)**	—	**—**	—
Other transfers	**(247)**	(5,972)	**(247)**	(5,317)
At 31 December	**861,245**	693,443	**857,308**	648,089

Construction in progress at 31 December 2006 mainly represents construction costs incurred for toll roads of the Group not yet completed.

7 Land use rights

The Group's land use rights represent prepaid operating lease payments. Their net book value is analysed as follows:

	Group		Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Outside Hong Kong, held on:				
Leases of duration between 10 to 50 years	**351,192**	368,830	**67,146**	70,504

	Group		Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Opening balance	**368,830**	386,468	**70,504**	73,862
Amortisation of prepaid operating lease payments	**(17,638)**	(17,638)	**(3,358)**	(3,358)
Closing balance	**351,192**	368,830	**67,146**	70,504

The land use rights of the Group are all located in the PRC in relation to the operations of its toll roads.

8 Intangible assets

	Goodwill RMB'000 (Note (a))	**Toll road operating right** RMB'000 (Note (b))	**Total** RMB'000
At 1 January 2005			
Cost	8,425	—	8,425
Accumulated amortisation	(665)	—	(665)
Accumulated impairment loss	(945)	—	(945)
Net book amount	6,815	—	6,815
Year ended 31 December 2005			
Opening net book amount	6,815	—	6,815
Acquisition of a jointly controlled entity	—	837,756	837,756
Amortisation	—	(19,986)	(19,986)
Closing net book amount	6,815	817,770	824,585
At 31 December 2005			
Cost	6,815	837,756	844,571
Accumulated amortisation	—	(19,986)	(19,986)
Net book amount	6,815	817,770	824,585

8 Intangible assets (continued)

	Goodwill RMB'000 (Note (a))	Toll road operating right RMB'000 (Note (b))	Total RMB'000
Year ended 31 December 2006			
Opening net book amount	6,815	817,770	824,585
Amortisation	—	(48,871)	(48,871)
Transfer to disposal group classified as held for sale (Note 15(a))	(5,179)	—	(5,179)
Closing net book amount	1,636	768,899	770,535
At 31 December 2006			
Cost	1,636	837,756	839,392
Accumulated amortisation	—	(68,857)	(68,857)
Net book amount	1,636	768,899	770,535

(a) Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to the respective toll roads operations as below:

	2006 RMB'000	2005 RMB'000
Geputan Bridge and its leading road	—	5,179
Shuiguan Expressway	**1,636**	1,636
	1,636	6,815

The Geputan Bridge and its related leading road and the Shuiguan Expressway are operated by Hubei Yungang Transportation Development Company Limited ("Yungang Company") and Shenzhen Qinglong Expressway Company Limited ("Qinglong Company"), respectively, both are jointly controlled entities of the Group.

The directors of the Company has approved the Group to dispose of its 42% equity interest in Yungang Company during the year. The goodwill relating to this equity investment in the amount of RMB5,179,000 was transferred to a disposal group classified as held for sale for presentation and measurement (Note 15(a)). The recoverable amount of the CGU of the Shuiguan Expressway is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are projected based on estimates made by management. Management determined the budgeted operating results based on past performance and its expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant toll road operation. Based on the impairment test on the goodwill associated with the Shuiguan Expressway performed on 31 December 2006, no impairment provision is required.

8 Intangible assets (continued)

(b) Toll road operating right

This represents the toll road operating right of Wuhuang Expressway of Hubei Magerk Expressway Management Company Limited ("Magerk Company"), a jointly controlled entity of the Group, acquired from the Hubei Communications Bureau. The operating period is 25 years starting from September 1997 to August 2022. The operating right was accounted for initially at fair value of RMB837,756,000 in the consolidated financial statements as part of the acquired assets in the acquisition of 55% share interest in Jade Emperor Limited ("JEL") made by the Group and it is amortised on a straight-line basis over the remaining approved operating period.

9 Investments in subsidiaries

		Company	
	Note	**2006** **RMB'000**	2005 RMB'000
Unlisted investments, at cost	(a)	**1,642,431**	759,945
Provision for impairment	(b)	**(4,142)**	(12,005)
		1,638,289	747,940
Loans to a subsidiary	(b)	**—**	46,084
Provision for impairment	(b)	**—**	(6,084)
		—	40,000
Advance to a subsidiary	(c)	**11,674**	24,750
		1,649,963	812,690

9 Investments in subsidiaries (continued)

(a) The following is a list of all subsidiaries of the Company at 31 December 2006:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Particulars of issued share capital/ paid-in capital	Interest held Direct	Indirect
Meiguan Company (i)	PRC, limited liability company	Construction, operation and management of an expressway in the PRC	RMB332,400,000	100%	—
Shenzhen Expressway Advertising Company Limited	PRC, limited liability company	Advertising agency in the PRC	RMB2,000,000	95%	5%
Shenzhen Wongtongling Ropeway Company Limited ("Ropeway Company") (Note (b))	PRC, limited liability company	Construction and management of a ropeway in the PRC	RMB5,000,000	95%	—
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah") (ii)	Hong Kong, limited liability company	Investment holding in Hong Kong	795,381,300 Ordinary shares of HKD1 each	100%	—
Maxprofit Gain Limited ("Maxprofit")	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	1 Ordinary share of USD1 each	—	100%

(i) Meiguan Company was previously 95% owned by the Company. In December 2006, the Company entered into an agreement with Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan") for the acquisition of Xin Tong Chan's 5% equity interest held in Meiguan Company, together with its advance made to Meiguan Company, at an aggregate cash consideration of RMB96,000,000. Xin Tong Chan is the substantial shareholder of the Company which holds 30.03% of the Company's equity interests. The acquisition was completed in December 2006. The difference between the consideration paid and the then book value of the minority interest so acquired in Meiguan Company amounting to RMB41,236,000 has been recorded in the debit of other reserves in the consolidated financial statements.

(ii) In 2006, the Company increases its equity investment in Mei Wah at RMB805,705,000 (equivalent to HKD778,381,000) by subscribing to newly created authorised share capital which were issued by that subsidiary.

9 Investments in subsidiaries (continued)

(b) In 2005, the construction of a ropeway project undertaken by Ropeway Company, a subsidiary of the Company, was put into a halt. The local government authorities undertake to compensate a portion of the losses suffered by the Company associated with such cessation and the equipment and facilities relating to the project were put under an auction administered by the government authorities for realisation during the year. Accordingly, the carrying value of the related assets amounting to RMB42,544,000, written down to their respective estimated fair value less costs to sell, was reclassified from the construction in progress balance and presented as non-current assets classified as held for sale (Note 15) in the consolidated balance sheet of the Group at 31 December 2006. In addition, the Company's investment in Ropeway Company and loans made to it, after deducting an impairment provision in order to write down the carrying value to its fair value less costs to sell, of RMB40,000,000 were also reclassified as non-current assets classified as held for sale (Note 15) in the Company's balance sheet. In January 2007, the Company received a compensation amount of approximately RMB47,240,000 from the government authorities. The Company and the Group were not required to recognise any additional gain or loss in the arrangements.

(c) The amount represents advance made to Meiguan Company as part of the investment made by the Company to this subsidiary in accordance with the provisions of the relevant investment agreement. The advance is unsecured, interest-free and is repayable out of the funds to be generated from the operations of the toll road of Meiguan Company. In the opinion of the directors, the advance is considered to be investment in nature and is therefore stated at cost. The directors also consider that there was no recoverability problem associated with the amount as at 31 December 2006.

10 Investments in jointly controlled entities

		Company	
	Note	**2006 RMB'000**	2005 RMB'000
Unlisted investments, at cost	(a)	**436,477**	384,000
Provision for impairment	(b)	**(94,340)**	(51,590)
		342,137	332,410
Advances to jointly controlled entities	(c)	**616,722**	643,134
Loan to a jointly controlled entity	(d)	**—**	130,400
		958,859	1,105,944

10 Investments in jointly controlled entities (continued)

(a) The following is a list of all jointly controlled entities of the Company at 31 December 2006:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held Direct	Interest held Indirect
Airport-Heao Eastern	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of an expressway in the PRC	55%	—
Qinglong Company	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of an expressway in the PRC	40%	—
Shenchang Company	PRC, limited liability company	Construction, operation and management of a ring road in the PRC	51%	—
Yungang Company	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of a bridge in the PRC	—	*42%
JEL	Cayman Islands, limited liability company	Investment holding in Cayman Islands	—	*55%
Magerk Company	PRC, wholly foreign owned enterprise	Operation and management of an expressway in the PRC	—	**55%

* The interests in Yungang Company and JEL are held indirectly through Mei Wah, a subsidiary of the Company. In the first four years of operations of Yungang Company, the Group is entitled to 90% share of its profit.

** JEL is the sole equity holder of Magerk Company. The Company holds an effective 55% interest in Magerk Company through Mei Wah and JEL.

(b) This represents the provision for impairment loss made for the Company's investment in Shenchang Company due to impairment of the underlying toll road operated by Shenchang Company. During the year ended 31 December 2006, management re-assessed the recoverable amount of the toll road, which resulted in a further impairment provision of RMB42,750,000 required to be recognised for the Company's investment in Shenchang Company. The details of the impairment assessment on the toll road of Shenchang Company are mentioned in Note 4(c).

(c) Amounts represent advances made to Airport-Heao Eastern of RMB341,573,000 (2005: RMB361,372,000) and Shenchang Company of RMB275,149,000 (2005: RMB281,762,000) respectively. The advances to Airport-Heao Eastern and Shenchang Company were made by the Company as part of its investments in these jointly controlled entities in accordance with the provisions of respective investment agreements. In the opinion of the directors, these advances are investment in nature and are therefore stated at cost.

The advances are unsecured, non-interest bearing and are repayable out of the funds generated from the operations of the respective toll road projects of Airport-Heao Eastern and Shenchang Company. The directors consider that there was no recoverability problem associated with these amounts as at 31 December 2006.

10 Investments in jointly controlled entities (continued)

(d) The balance at 31 December 2005 represented the loan to Qinglong Company. The loan is unsecured, non-interest bearing and was repayable based on appropriation of surplus cash flows derived from the operations of Qinglong Company with preferential right.

(e) The following amounts represent the unaudited assets and liabilities, and turnover and results related to the Group's interests in jointly controlled entities, which have already been included in the consolidated balance sheet and income statement:

	Airport-Heao Eastern		Qinglong Company		Shenchang Company		Yungang Company*		JEL (consolidated with Magerk Company)		Total	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Assets												
Non-current assets	**580,872**	604,149	**422,847**	448,152	**274,263**	310,175	**–**	13,679	**782,209**	788,641	**2,060,191**	2,164,796
Current assets	**29,863**	24,662	**18,007**	35,220	**3,243**	27,747	**–**	2,624	**9,294**	18,879	**60,407**	109,132
	610,735	628,811	**440,854**	483,372	**277,506**	337,922	**–**	16,303	**791,503**	807,520	**2,120,598**	2,273,928
Liabilities												
Non-current liabilities	**13,449**	12,497	**262,536**	263,335	**–**	–	**–**	–	**83,452**	99,767	**359,437**	375,599
Current liabilities	**13,724**	12,336	**6,486**	6,291	**3,991**	2,720	**–**	181	**32,954**	62,370	**57,155**	83,898
	27,173	24,833	**269,022**	269,626	**3,991**	2,720	**–**	181	**116,406**	162,137	**416,592**	459,497
Net assets	**583,562**	603,978	**171,832**	213,746	**273,515**	335,202	**–**	16,122	**675,097**	645,383	**1,704,006**	1,814,431
Revenue	**181,575**	157,904	**99,685**	73,592	**10,075**	10,853	**–**	3,043	**178,154**	63,727	**469,489**	309,119
Other income	**4,057**	2,858	**951**	1,073	**169**	624	**–**	9	**175**	101	**5,352**	4,665
Costs and expenses	**(67,390)**	(59,440)	**(48,665)**	(44,258)	**(41,166)**	(11,950)	**–**	(2,387)	**(116,440)**	(43,263)	**(273,661)**	(161,298)
Profit/(loss) after income tax	**118,242**	101,322	**51,971**	30,407	**(30,922)**	(473)	**–**	665	**61,889**	20,565	**201,180**	152,486

* The interest in Yungang Company has been approved to be disposed (Note 8(a)). Accordingly, the assets and liabilities related to the interest in Yungang Company at 31 December 2006 have been transferred to a disposal group classified as held for sale in the consolidated balance sheet; and relevant results for the year ended 31 December 2006 have been presented as discontinued operation in the consolidated income statement (Note 15(a)).

Other than the commitment in respect of the return of the toll roads assets to the respective local government authorities upon the expiration of the operating periods granted mentioned in Note 5(b), there were no material commitments and contingent liabilities arising from the Group's investments in the jointly controlled entities, and there were no material outstanding commitments and contingent liabilities in the jointly controlled entities as at 31 December 2006.

For the year ended 31 December 2006

11 Investments in associates

		Group		Company	
	Note	**2006** **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Beginning of the year		**2,966,903**	870,698	**2,601,624**	871,404
Acquisition of associates		**—**	2,018,380	**—**	1,628,380
Increase in investments in associates	(b)	**90,000**	101,840	**90,000**	101,840
Dividends declared and appropriation made by an associate		**(33,290)**	—	**—**	—
Share of associates' results	(a)	**(16,948)**	(24,015)	**—**	—
End of the year		**3,006,665**	2,966,903	**2,691,624**	2,601,624

The year end balance comprises the following:

		Group		Company	
	Note	**2006** **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Unlisted investments, at cost		—	—	**2,562,134**	1,642,741
Share of net assets other than goodwill	(a)	**2,801,875**	1,932,720	**—**	—
Goodwill on acquisition of associates	(c)	**75,300**	75,300	**—**	—
		2,877,175	2,008,020	**2,562,134**	1,642,741
Advance to an associate	(d)	**129,490**	958,883	**129,490**	958,883
		3,006,665	2,966,903	**2,691,624**	2,601,624

11 Investments in associates (continued)

(a) The Group's interests in its associates, all of which were established and are operating in the PRC, were as follows (unaudited):

Name	Nature of legal entity and paid-in capital	Principal activities	Assets		Liabilities		Revenue		Profit/(loss)		Capital commitments		*Interest held	
			2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000	**2006 %**	2005 %
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company") (Note (b))	Limited liability company, RMB1,015,000,000	Development, operation and management of expressways and related facilities	**751,015**	755,130	**516,658**	525,345	**35,501**	3,363	**(12,928)**	(6,464)	**–**	–	**25%**	25%
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company") (Note (b))	Limited liability company, RMB700,000,000	Development, operation and management of expressway	**580,779**	330,772	**408,473**	228,272	**223**	–	**(2,695)**	–	**–**	35,795	**25%**	25%
Shenzhen Huayu Expressway Investment Company Limited	Limited liability company, RMB150,000,000	Development, investment, operation and management of expressway	**238,895**	240,168	**177,546**	182,672	**23,750**	6,149	**3,853**	(2,504)	**–**	–	**40%**	40%
Shenzhen Expressway Engineering Consulting Company Limited	Limited liability company, RMB7,000,000	Project management consulting, construction consulting and sales of construction materials	**10,101**	6,345	**5,790**	2,594	**7,052**	3,603	**560**	197	**–**	–	**30%**	30%
Nanjing Yangzi River Third Bridge Company Limited	Limited liability company, RMB1,080,000,000	Development, operation and management of bridges	**844,141**	849,127	**590,460**	587,291	**43,116**	6,997	**(8,154)**	(8,164)	**–**	–	**25%**	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Limited liability company, RMB200,000,000	Development, operation and management of expressway	**549,563**	591,333	**343,198**	362,858	**65,574**	49,882	**11,180**	3,541	**–**	–	**25%**	25%
Yunfu Guangyun Expressway Company Limited	Limited liability company, RMB10,000,000	Development, operation and management of expressway	**444,909**	449,513	**273,214**	276,211	**24,533**	11,285	**(1,608)**	(5,878)	**–**	–	**30%**	30%
Guangdong Qinglian Highway Development Company Limited ("Qinglian Company")	Sino-foreign cooperative enterprise, RMB1,200,000,000	Development, operation and management of highways	**2,450,276**	2,326,633	**752,465**	1,451,058	**70,279**	38,131	**(7,156)**	(4,743)	**2,190,000**	2,359,270	**56.28%**	56.28%
			5,869,679	5,549,021	**3,067,804**	3,616,301	**270,028**	119,410	**(16,948)**	(24,015)	**2,190,000**	2,395,065		

* Except for Qinglian Company, the Company directly holds interests in all other associates. Qinglian Company is 31.28% directly held by the Company and with another 25% of the interest held indirectly through its two wholly owned subsidiaries, Mei Wah and Maxprofit.

** There were no material contingent liabilities arising form the Group's interests in associates, and there were no material contingent liabilities in the associates as at 31 December 2006.

11 Investments in associates (continued)

(b) According to the provisions of the investment agreements of Jiangzhong Company and GZ W2 Company, the Company made additional capital contributions at RMB17,500,000 and RMB72,500,000, respectively, into the two associates during the year. The contributions were made based on the funding requirements according to the progress of construction of the toll road projects undertaken by these two associates. The remaining future contributions that are required to be made by the Company to Jiangzhong Company and GZ W2 Company amounted to RMB23,840,000 and RMB75,000,000 respectively, as governed by the provisions of the relevant investment agreements.

(c) The balance represents the unamortised amount of goodwill arising from the acquisition of equity interests in Jiangzhong Company and Yangmao Company in previous years amounting to RMB30,135,000 and RMB45,165,000, respectively. In accordance with the requirements of HKFRS 3 and HKAS 38, the Group ceased amortisation of goodwill on 1 January 2005 and the goodwill balance has been included in interests in associates and it is tested annually for impairment as part of the overall balance. After the assessment made by the directors, there was no impairment loss recognised as at 31 December 2006.

(d) The advance to an associate as at 31 December 2005 represent the amount undertaken to be assumed by the Company upon the acquisition of equity interest in Qinglian Company. The amount was related to advances made by the original equity owners of Qinglian Company to the associate. In 2006, with the agreement of the Company and approved by the board of Qinglian Company in its relevant board minutes, the Company capitalised the advance to the extent of RMB829,393,000 as its additional capital contribution made to Qinglian Company. Accordingly, the amount was transferred to investment in Qinglian Company.

On 8 February 2006, the Company entered into an agreement with the liquidation committee of Qingyuan Yueqing Highway Construction and Development Company Ltd ("Yueqing", one of the equity owners of Qinglian Company) for the acquisition of Yueqing's 20.09% equity interest held in Qinglian Company, together with its equity owner's loan and all other distributable interests in Qinglian Company at an aggregate cash consideration of RMB484,000,000. The acquisition was completed in January 2007 and the Company began to directly and indirectly hold 76.37% aggregate equity interest in Qinglian Company.

12 Trade and other receivables

		Group		Company	
	Note	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Trade receivables	(a)	**63,820**	39,694	**58,285**	35,708
Amount due from a jointly controlled entity					
– Trade		**869**	—	**—**	—
– Non-trade		**67**	838	**148**	1,862
	(b)	**936**	838	**148**	1,862
Other receivables	(c)	**32,820**	112,304	**33,515**	103,176
Prepayments		**3,820**	4,993	**2,971**	3,328
		101,396	157,829	**94,919**	144,074

12 Trade and other receivables (continued)

(a) Trade receivables mainly represent amounts due from the Shenzhen Communications Bureau of RMB47,032,000 (2005: RMB33,118,000) for management services income recognised (Note 23(a)).

At 31 December 2006 and 2005, the ageing analysis of trade receivables (including amount due from a jointly controlled entity of trading in nature) was as follows:

	Group		Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Within 1 year	**48,879**	39,666	**42,475**	35,708
Over 1 year	**15,810**	28	**15,810**	—
	64,689	39,694	**58,285**	35,708

(b) The balance at 31 December 2006 mainly represents the net amount due from Airport-Heao Eastern, a jointly controlled entity of the Company, for the toll income collected by Airport-Heao Eastern on behalf of the Company and Meiguan Company, a subsidiary of the Company. The balance at 31 December 2005 represented the amount due from Airport-Heao Eastern for the amounts paid by the Company on its behalf.

Due to the geographical layout of the toll roads operated by the Group, certain toll gates of the toll roads of the Company, Meiguan Company and Airport-Heao Eastern are overlapping and they collect toll income for each other. During the year, the aggregate toll income collected by the Company and Meiguan Company on behalf of Airport-Heao Eastern was RMB109,432,000 (2005: RMB103,428,000), while the aggregate toll income collected by Airport-Heao Eastern on behalf of the Company and Meiguan Company was RMB112,784,000 (2005: RMB100,020,000). All toll income collected is paid back to the counter party within three days after collection without charging any handling fees.

(c) Other receivables at 31 December 2005 included an amount due from the Shenzhen Communications Bureau of RMB74,024,000 in respect of amounts paid by the Company on behalf of the government authority for the construction of the Wutong Mountain Avenue (Supplementary Road) and the Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project (the "Wutong Mountain Project"). In January 2006, the Company officially entered into a construction management service contract with the Shenzhen Communications Bureau under which the Company assumes the management of the construction of the Wutong Mountain Project and most of the amounts paid by the Company on behalf of the bureau had been settled during this year. As at 31 December 2006, the amount due from the bureau amounted to RMB3,143,000.

13 Restricted cash

	Group and Company	
	2006 RMB'000	2005 RMB'000
Project funds retained for construction management contracts	**6,872**	31,615

This represents the unutilised balance of project funds received from government authorities for the use of the construction of the western section of Hengping Highway ("Hengping Project") managed by the Company under a management service contract. The project funds are advanced by the governments and they are deposited in bank accounts jointly supervised by the Company and the relevant government departments. The project funds balance is presented as restricted cash in the balance sheet with a corresponding liability of the same amount included in other payables.

14 Cash and cash equivalents

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Cash at bank and in hand	**349,237**	863,025	**228,890**	748,672
Short-term bank deposits	**30,404**	29,460	**—**	—
	379,641	892,485	**228,890**	748,672

The effective interest rate on short-term bank deposits was 4.1% (2005: 4.1%) per annum. These deposits have an average maturity of 7 days (2005: 33 days).

Cash and cash equivalents include the following for the purpose of the cash flow statement:

	Group	
	2006 **RMB'000**	2005 RMB'000
Cash and cash equivalents	**379,641**	892,485
Cash and cash equivalents included in disposal group classified as held for sale (Note 15(a))	**2,198**	—
	381,839	892,485

15 Non-current assets and disposal group classified as held for sale

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Non-current assets classified as held for sale (Note 9(b))				
– Construction in progress	**42,544**	—	**—**	—
– Investment in a subsidiary	**—**	—	**40,000**	—
	42,544	—	**40,000**	—
Disposal group classified as held for sale (Note (a))	**15,816**	—	**—**	—
	58,360	—	**40,000**	—
Liabilities directly associated with disposal group classified as held for sale (Note (a))	**5,331**	—	**—**	—

15 Non-current assets and disposal group classified as held for sale (continued)

(a) In October 2006, the directors of the Company approved the disposal of its 42% equity interest in Yungang Company, a then jointly controlled entity. The disposal transaction is expected to be completed in 2007. Accordingly, the assets and liabilities related to this equity investment had been presented separately as a disposal group classified as held for sale in the consolidated balance sheet and the relevant operating results is presented separately as discontinued operation in the consolidated income statement. Details are as follows:

Disposal group classified as held for sale

	Group	
	2006 RMB'000	2005 RMB'000
Disposal group classified as held for sale		
Property, plant and equipment	**12,431**	—
Goodwill	**1,037**	—
Cash and cash equivalents (Note 14)	**2,198**	—
Other current assets	**150**	—
	15,816	—
Liabilities directly associated with disposal group classified as held for sale		
Current income tax liabilities	**30**	—
Other current liabilities	**5,301**	—
	5,331	—

Analysis of the results of discontinued operation

	Group	
	2006 RMB'000	2005 RMB'000
Revenue	**3,370**	—
Other income	**9**	—
Business tax and surcharges	**(169)**	—
Depreciation and amortisation	**(1,255)**	—
Employee benefit expenses	**(414)**	—
Other costs and expenses	**(371)**	—
Profit from discontinued operation – before tax	**1,170**	—
Income tax	**(84)**	—
Profit from discontinued operation – after tax	**1,086**	—
Loss from asset measurement of disposal group	**(4,142)**	—
Loss for the year from discontinued operation	**(3,056)**	—

Disposal group held for sale is measured at the lower of carrying amount and fair value less costs to sell. The loss recognised from the measurement amounting to RMB4,142,000, which had been reflected by writing down the carrying value of the goodwill balance.

As the results of the discontinued operation in 2005 were not considered material by the directors of the Company, no relevant disclosure has been presented for the year ended 31 December 2005 in the consolidated income statement.

15 Non-current assets and disposal group classified as held for sale (continued)

Cash flows of discontinued operation

	Group	
	2006 **RMB'000**	2005 RMB'000
Net cash generated from operating activities	**2,369**	1,903
Net cash used in investing activities	**(7)**	(25)
Net cash used in financing activities	**(1,937)**	(2,258)
	425	(380)

16 Share capital

	Opening balance at 1 January 2006 RMB'000	Transfers RMB'000 (Note (a))	Closing balance at 31 December 2006 RMB'000
Registered, issued and fully paid			
2,180,700,000 shares of RMB1 each			
Non-liquid shares			
– Shares held by the State	654,780	(654,780)	—
– Shares held by legal persons	613,420	(613,420)	—
	1,268,200	(1,268,200)	—
Liquid shares subject to sale restrictions			
– Shares held by the State	—	654,780	654,780
– Shares held by legal persons	—	560,620	560,620
	—	1,215,400	1,215,400
Listed shares			
– Ordinary shares, listed in the Mainland ("A shares")	165,000	52,800	217,800
– Foreign invested shares, listed in Hong Kong ("H shares")	747,500	—	747,500
	912,500	52,800	965,300
Total	2,180,700	—	2,180,700

16 Share capital (continued)

(a) Pursuant to a resolution passed in an A share shareholders meeting held on 23 January 2006, the shareholding structure reallocation scheme (the "Shareholding Scheme") of the Company was approved. All the then shareholders of the Company whose shares did not have liquidity in the market ("Non-liquid Shares") undertook to transfer to the then A share shareholders of the Company as appeared in the share register of the Company as at the date of implementation of the Shareholding Scheme (i.e. 24 February 2006) 3.2 shares of their Non-liquid Shares for each 10 A shares held by the A share shareholders in return for gaining liquidity of the Non-liquid Shares in the A share market of the PRC. The Shareholding Scheme was completed on 27 February 2006 with the approval of the relevant authorities. Immediately after the implementation of the Shareholding Scheme, the shareholders of the Non-liquid Shares held in total 1,215,400,000 shares of the Company while the A share shareholders held in aggregate 217,800,000 shares of A shares of the Company. The formerly non-liquid shares were also converted into shares with liquidity but subject to certain restrictions in their sales. The Company is not required to bear any other expenses and does not have any obligations in respect of the Shareholding Scheme.

(b) Pursuant to the Company's articles of association, all shares are of nominal value of RMB1 each and they are all ordinary shares. Apart from certain restrictions on disposal (mentioned in (a) above) and the currency used for distribution of dividends, all shares rank pari passu against each other.

17 Other reserves

Group	Share premium	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Currency translation differences	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005	2,060,009	383,114	351,338	453,391	—	—	3,247,852
Transfer from retained earnings	—	70,178	57,747	—	—	—	127,925
Currency translation differences	—	—	—	—	1,153	—	1,153
Balance at 31 December 2005	2,060,009	453,292	409,085	453,391	1,153	—	3,376,930
Reclassification of reserve fund (Note (c))	—	409,085	(409,085)	—	—	—	—
Acquisition of minority interest in a subsidiary (Note 9(a)(i))	—	—	—	—	—	(41,236)	(41,236)
Transfer from retained earnings	—	84,831	—	—	—	—	84,831
Currency translation differences	—	—	—	—	(1,153)	—	(1,153)
Balance at 31 December 2006	2,060,009	947,208	—	453,391	—	(41,236)	3,419,372

17 Other reserves (continued)

Company	Share premium	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005	2,060,009	319,504	319,504	453,391	3,152,408
Transfer from retained earnings	—	48,504	48,504	—	97,008
Balance at 31 December 2005	2,060,009	368,008	368,008	453,391	3,249,416
Reclassification of reserve fund (Note (c))	—	368,008	(368,008)	—	—
Transfer from retained earnings	—	55,924	—	—	55,924
Balance at 31 December 2006	2,060,009	791,940	—	453,391	3,305,340

(a) Pursuant to the relevant PRC regulations and the articles of association of the Company, profit after tax shall be appropriated according to the following sequence from 2006 onwards:

(i) make up any accumulated losses;

(ii) transfer 10% of the profit after tax to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the share capital, such transfer need not be made;

(iii) transfer to the discretionary surplus reserve an amount as approved by the shareholders in the Annual General Meeting; and

(iv) distribute as dividends to shareholders.

The amounts of transfer to the statutory surplus reserve shall be determined based on profit after tax reported in the PRC statutory financial statements of the Company prepared in accordance with the PRC GAAP.

(b) Share premium
Share premium mainly represents premium arising from the issuance of shares, net of related issuing expenses. According to the relevant PRC regulations, share premium can only be used to increase the share capital.

(c) Statutory surplus reserve and discretionary surplus reserve
According to the relevant PRC regulations, statutory surplus reserve and discretionary surplus reserve can be used to make up losses or to increase the share capital.

According to the relevant PRC regulations, the Company is not required to provide statutory public welfare fund for profit appropriation effective from 1 January 2006, accordingly, the balance of statutory public welfare fund as at 31 December 2005 was transferred to the statutory surplus reserve.

17 Other reserves (continued)

(d) Profit distributable to shareholders

Pursuant to the relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated distributable profits determined according to the PRC GAAP as stated in the PRC statutory financial statements and the accumulated distributable profits adjusted based on HKFRS.

18 Borrowings

		Group		Company	
	Note	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Non-current					
Bank borrowings					
– Secured	(b)	**422,361**	1,897,195	**—**	950,000
– Unsecured	(d)	**675,000**	310,000	**675,000**	310,000
		1,097,361	2,207,195	**675,000**	1,260,000
Other borrowings – guaranteed	(c)	**26,169**	30,051	**26,169**	30,051
Advance from a minority shareholder		**—**	9,564	**—**	—
		1,123,530	2,246,810	**701,169**	1,290,051
Less: Current portion of long-term borrowings					
– Bank borrowings – secured	(b)	**(400)**	(11,400)	**—**	—
– Other borrowings – guaranteed	(c)	**(8,141)**	(4,808)	**(8,141)**	(4,808)
		(8,541)	(16,208)	**(8,141)**	(4,808)
		1,114,989	2,230,602	**693,028**	1,285,243
Current					
Bank borrowings					
– Secured		**—**	50,000	**—**	50,000
– Unsecured	(d)	**1,218,100**	203,900	**1,195,000**	150,000
		1,218,100	253,900	**1,195,000**	200,000
Current portion of long-term borrowings		**8,541**	16,208	**8,141**	4,808
		1,226,641	270,108	**1,203,141**	204,808
Total borrowings		**2,341,630**	2,500,710	**1,896,169**	1,490,051

(a) As approved by the People's Bank of China, the Company had obtained an approval to issue short-term bonds for an aggregate amount of not more than RMB2 billion before November 2006. On 6 January 2006, the Company issued a portion of short-term bonds at an amount of RMB1 billion, which bore interest at 3.07% per annum with a maturity of 9 months. The issued short-term bonds were fully redeemed in October 2006.

18 Borrowings (continued)

(b) For the secured bank borrowings, RMB259,600,000 is secured by a pledge of the operating right of Shuiguan Expressway of Qinglong Company; RMB162,761,000 (HKD162,000,000) is secured by a pledge of the 55% equity interest of JEL held by Mei Wah. The effective interest rates of these borrowings ranged from 4.99% to 6.156% per annum.

(c) Other borrowings totaling USD3,351,300 (equivalent to RMB26,169,000) were extended by the Spanish Government through the China Construction Bank Corporation. The loans comprise two portions, USD2,234,200 bearing interest at 1.8% per annum which is repayable by installment from February 2007 to November 2011; and another portion of USD1,117,100 which is interest-bearing at 7.17% per annum and is repayable by installment from February 2007 to August 2009. These borrowings are guaranteed by Xin Tong Chan.

(d) The effective interest rates of unsecured borrowings of the Group at 31 December 2006 ranged from 4.698% to 6.156% (2005: 4.698% to 5.85%) per annum.

(e) The maturity periods of the borrowings are analysed as follows:

	Bank borrowings		Other borrowings and advance	
Group	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Within 1 year	**1,218,500**	265,300	**8,141**	4,808
Between 1 and 2 years	**400**	81,609	**6,397**	6,611
Between 2 and 5 years	**555,761**	1,287,386	**11,631**	16,829
Wholly repayable within 5 years	**1,774,661**	1,634,295	**26,169**	28,248
Over 5 years	**540,800**	826,800	**—**	11,367
	2,315,461	2,461,095	**26,169**	39,615

	Bank borrowings		Other borrowings	
Company	**2006 RMB'000**	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Within 1 year	**1,195,000**	200,000	**8,141**	4,808
Between 1 and 2 years	**—**	50,000	**6,397**	6,611
Between 2 and 5 years	**345,000**	610,000	**11,631**	16,829
Wholly repayable within 5 years	**1,540,000**	860,000	**26,169**	28,248
Over 5 years	**330,000**	600,000	**—**	1,803
	1,870,000	1,460,000	**26,169**	30,051

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

	Carrying amounts		Fair value	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Bank borrowings	**1,096,961**	2,195,795	**1,042,454**	2,157,010
Other borrowings	**18,028**	25,243	**16,594**	23,191
Advance from a minority shareholder	**—**	9,564	**—**	8,112
	1,114,989	2,230,602	**1,059,048**	2,188,313

The fair values are determined based on cash flows discounted using an effective interest rate ascertained based on the rates of general bank borrowings at 6.30% - 6.84% (2005: 5.89% - 6.12%) per annum.

18 Borrowings (continued)

(g) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
RMB	**2,152,700**	1,794,464	**1,870,000**	1,460,000
USD	**26,169**	30,051	**26,169**	30,051
HKD	**162,761**	676,195	**—**	—
	2,341,630	2,500,710	**1,896,169**	1,490,051

(h) The Group has the following undrawn banking facilities:

	2006 RMB'000	2005 RMB'000
Floating rate		
– Expiring within one year	**2,894,000**	3,700,000
– Expiring beyond one year	**1,245,000**	2,720,000
	4,139,000	6,420,000
Fixed rate		
– Expiring beyond one year	**770,000**	400,000
	4,909,000	6,820,000

In November 2006, the shareholders of the Company approved a resolution for the proposed issuance of convertible bonds with attached warrants subscription rights by the Company for an aggregate amount of not more than RMB1.5 billion with attached of warrants rights to subscribe not more than 330 million of newly issued A shares of the Company. Proceeds will be applied against the construction of Nanguang Expressway. The issuance is subject to the approval of China Securities Regulatory Commission. As at the date of approval of these financial statements, materials for the application were under preparation and the Company planned to submit the application to the regulatory authorities in due course.

19 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Deferred tax assets				
– to be recovered after more than 12 months	**(32,256)**	(6,364)	**—**	—
– to be recovered within 12 months	**(400)**	(400)	**—**	—
	(32,656)	(6,764)	**—**	—
Deferred tax liabilities				
– to be settled after more than 12 months	**119,928**	149,732	**22,111**	32,218
– to be settled within 12 months	**5,298**	5,298	**500**	—
	125,226	155,030	**22,611**	32,218
	92,570	148,266	**22,611**	32,218

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2006 **RMB'000**	2005 RMB'000	**2006** **RMB'000**	2005 RMB'000
Beginning of the year	**148,266**	50,294	**32,218**	26,671
Acquisition of a jointly controlled entity	**—**	90,958	**—**	—
Amounts reversed (Note (a))	**(42,134)**	—	**(9,104)**	—
Recognised in the income statement	**(13,562)**	7,014	**(503)**	5,547
End of the year	**92,570**	148,266	**22,611**	32,218

19 Deferred income tax (continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Group	Deferred tax assets			Deferred tax liabilities		
	Impairment loss of property, plant and equipment	Provision for impairment loss of other assets	Total	Depreciation of property, plant and equipment	Difference of the accounting base and tax base of an intangible asset	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	25,040	1,878	26,918	77,212	—	77,212
Acquisition of a jointly controlled entity	—	—	—	—	90,958	90,958
Recognised in the income statement	(384)	—	(384)	8,837	(2,207)	6,630
At 31 December 2005	24,656	1,878	26,534	86,049	88,751	174,800
Amounts reversed (Note (a))	—	—	—	(42,134)	—	(42,134)
Recognised in the income statement	8,000	—	8,000	(264)	(5,298)	(5,562)
At 31 December 2006	32,656	1,878	34,534	43,651	83,453	127,104

19 Deferred income tax (continued)

Company	Deferred tax assets Provision for impairment loss of assets RMB'000	Deferred tax liabilities Depreciation of property, plant and equipment RMB'000
At 1 January 2005	1,878	28,549
Recognised in the income statement	—	5,547
At 31 December 2005	1,878	34,096
Amounts reversed	—	(9,104)
Recognised in the income statement	—	(503)
At 31 December 2006	1,878	24,489

According to a notice issued by the State Administration of Taxation on 14 May 2006, the units-of-usage basis adopted for the provision of depreciation of property, plant and equipment is also recognised as a straight-line method for tax reporting purposes. Business enterprises which adopt the units-of-usage basis are allowed to claim tax deduction on depreciation charges as if they are applying the straight-line method. The non-foreign invested enterprises of the Group, including the Company, Meiguan Company and Shenchang Company, have received formal replies from relevant local tax authorities that provision of depreciation of toll road assets of these companies under units-of-usage basis are allowable for tax reporting purposes effective from 1 January 2006. Accordingly, the Group had re-assessed the adequacy of the unutilised deferred tax provision brought forward from 31 December 2005 for these companies and reversed deferred tax liabilities of RMB42,134,000, which was reflected as a credit in income tax expenses for the year. The relevant tax base of the toll road assets owned by the foreign invested enterprises of the Group using the units-of-usage basis of depreciation, namely Airport-Heao Estern and Qinglong Company, had not yet been finalised and agreed by the local tax authorities as at 31 December 2006. Accordingly, the Group continued to adopt the same basis for assessing their deferred tax liabilities as used in prior years.

20 Government grants

		Group and Company	
	Note	**2006 RMB'000**	2005 RMB'000
Deferred income	(a)	**296,461**	291,408
Advances from government	(b)	**54,000**	72,980
		350,461	364,388

(a) Deferred income

	Group and Company	
	2006 RMB'000	2005 RMB'000
Beginning of the year	**291,408**	318,764
Addition	**26,000**	—
Government subsidy income recognised for the year (Note 23)	**(20,947)**	(27,356)
End of the year	**296,461**	291,408

In 2005, the Company obtained an advance of RMB18,980,000 from the relevant government authorities as a government grant for the construction of Yanpai Expressway. An additional advance of RMB7,020,000 was received in current year and the aggregate amount of RMB26,000,000 was recorded as advance from government in the balance sheet. Since the construction of Yanpai Expressway was completed in May 2006, the full amount of the advances received was transferred to deferred income and it started to be amortised in the income statement over the approved operating period of Yanpai Expressway using the same basis for which depreciation is provided on the related toll road assets.

(b) This represents an advance obtained from the relevant government authorities as an inducement of the Company to participate in the Yanba toll road project of RMB54,000,000 (2005: RMB54,000,000). Due to the fact that the relevant government authorities have not stipulated clear provisions and regulations on the repayment obligations of such fund, and the fact that the construction period of the toll road will extend beyond one year, the fund has been presented as a non-current liability in the balance sheet.

21 Other payables and accrued expenses

	Note	Group 2006 RMB'000	Group 2005 RMB'000	Company 2006 RMB'000	Company 2005 RMB'000
Consideration payable for acquisition of interests in an associate and a jointly controlled entity	(a)	**24,594**	384,062	**—**	1,714
Payables for construction in progress	(b)	**176,603**	141,760	**173,143**	133,018
Guaranteed deposits for construction projects contracts	(b)	**179,568**	27,901	**179,568**	27,901
Project funds retained for construction management contracts	13	**6,872**	31,615	**6,872**	31,615
Notes payable	(b)	**359,242**	—	**359,242**	—
Others	(c)	**109,452**	85,354	**81,262**	47,995
		856,331	670,692	**800,087**	242,243

(a) This includes the remaining balance of consideration payable in relation to the acquisitions of equity interests of both Qinglian Company and JEL made in 2005 amounting to RMB4,857,000 (2005: RMB363,626,000) and RMB19,737,000 (2005: RMB20,436,000), respectively. During the year, the Group had settled an amount of approximately RMB357,784,000.

(b) These represent liabilities arising from the progress project payments for the construction of certain toll roads projects of the Group of RMB176,603,000 (2005: RMB141,760,000); deposits received from the contractors as guarantees for bidding and their performance commitment for the construction of these projects amounting to RMB179,568,000 (2005: RMB27,901,000) and bills payable of RMB359,242,000 (2005: Nil), respectively.

(c) The balance includes the remaining unsettled auditors' remuneration for the year. Details of the gross auditors' remuneration for the year are as follows, the amount is included in other operating expenses in the income statement:

	2006 RMB'000	2005 RMB'000
International auditors' remuneration		
Annual audit	**1,550**	1,550
Other audit/review services	**100**	1,365
Statutory auditors' remuneration		
Annual audit	**650**	650
Other audit/review services	**1,150**	150

22 Revenue

	2006 **RMB'000**	2005 RMB'000
Income from toll roads	**1,188,556**	911,482

No segment information is presented as all turnover of the Group is toll income earned in the PRC.

23 Other income

	Note	**2006** **RMB'000**	2005 RMB'000
Interest income from bank deposits		**6,313**	9,798
Interest income from discounting of long-term receivables		**—**	13,054
Interest income from a loan extended to a jointly controlled entity		**5,027**	6,315
Income derived from construction management services	(a)	**31,468**	72,830
Government subsidy income	20(a)	**20,947**	27,356
Subsidies from local governments	(b)	**12,789**	10,309
Advertising income		**15,694**	10,914
Excess of fair value of share of the net assets acquired in a jointly controlled entity over the cost of acquisition		**—**	34,955
Others		**5,620**	6,399
		97,858	191,930

(a) The Company was engaged by the local government authorities to manage the construction of the Nanping Project, Hengping Project and Wutong Mountain Project. The management services income is determined based on the savings achieved in managing these construction management projects according to the provisions of the relevant contracts.

Due to the fact that there was a change in the toll road network plan of the government, the construction of Hengping Project has been suspended according to a notice issued by the relevant government authorities. Therefore, no construction management service income has been recognised for Hengping Project by the Company for the current year (2005: RMB5,507,000). After consulting the legal counsel, the directors considered that it is not likely for the Company to assume any management liabilities for the project or to incur substantial loss.

The construction management service income for the Nanping Project recognised during the year using the percentage of completion method in accordance with the accounting policies as stated in Note 2.19(b) amounted to approximately RMB29,203,000 (2005: RMB67,323,000). Details are disclosed in Note 4(b).

As at 31 December 2006, the outcome of the Wutong Mountain Project could not be estimated reliably. As a result, the Company had recognised income of RMB2,265,000 (2005: Nil) to the extent of the project management expenses incurred by the Company, which are expected by the directors to be recovered from the project with certainty.

(b) This represents government subsidies granted by the Shenzhen Municipal Government in relation to the cancellation of certain preferential policies on the PRC enterprise income tax previously applicable to the Group.

24 Business tax and surcharges

The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB36,635,000 (2005: RMB34,956,000); service income derived from the provision of construction management services income at RMB982,000 (2005: RMB2,272,000); and income arising from the provision of other services at RMB1,347,000 (2005: RMB1,133,000).

Revenue of the Group is subject to the following taxes and surcharges:

— PRC business tax at 3% or 5% of toll income. Before 31 May 2005, the toll income derived from expressways is subject to PRC business tax at 5%. Pursuant to the relevant tax regulations and effective from 1 June 2005, PRC business tax of the toll income from expressways is charged at 3%;

— City development tax at 1% of the PRC business tax; and

— Education supplementary fee at 3% or 5% of the PRC business tax.

25 Employee benefit expenses

	Note	**2006 RMB'000**	2005 RMB'000
Wages, salaries and bonus		**55,061**	48,060
Bonus – the Appreciation Right Scheme		**—**	4,412
Pension costs – defined contribution plans	(a)	**3,988**	3,465
Other staff welfare benefits		**11,206**	11,226
		70,255	67,163

(a) The Group participates in the municipal retirement schemes managed by the local social security administration bureaus. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 8% to 10% (2005: 8% to 9%) of the monthly salary of the employees during the year. The bureaus are responsible for making the pension payments to the retired employees of the Group and the Group has no further obligations. There was no forfeited contribution utilised during the year to reduce future contribution.

25 Employee benefit expenses (continued)

(b) Directors' and senior management's emoluments

The remuneration of each director for the year ended 31 December 2006 is set out below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits and allowances RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Mr. Yang Hai	—	706	211	8	19	944
Mr. Wu Ya De	—	543	186	7	19	755
Mr. Li Jing Qi	—	—	—	11	—	11
Mr. Wang Ji Zhong	—	—	—	8	—	8
Mr. Liu Jun	—	—	—	7	—	7
Mr. Lin Xiang Ke	—	—	—	7	—	7
Ms. Zhang Yang	—	—	—	8	—	8
Mr. Chiu Chi Cheong, Clifton	306	—	—	13	—	319
Mr. Li Zhi Zheng	150	—	—	13	—	163
Mr. Zhang Zhi Xue	150	—	—	15	—	165
Mr. Poon Kai Leung, James	153	—	—	11	—	164
Mr. Wong Kam Ling	153	—	—	15	—	168

25 Employee benefit expenses (continued)

(b) Directors' and senior management's emoluments (continued)

The remuneration of each director for the year ended 31 December 2005 is set out below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits and allowances RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Mr. Yang Hai	—	534	203	21	12	770
Mr. Wu Ya De	—	522	171	23	15	731
Mr. Zhang Rong Xing	—	380	47	58	8	493
Mr. Lin Xiang Ke	—	—	—	12	—	12
Ms. Zhang Yang	—	—	—	10	—	10
Mr. Li Jing Qi	—	—	—	8	—	8
Mr. Wang Ji Zhong	—	—	—	10	—	10
Mr. Chiu Chi Cheong, Clifton	312	—	—	14	—	326
Mr. Li Zhi Zheng	150	—	—	11	—	161
Mr. Zhang Zhi Xue	150	—	—	12	—	162
Mr. Chen Chao (i)	—	—	—	—	—	—
Ms. Tao Hong (i)	—	—	—	2	—	2
Mr. Zhong Shan Qun (i)	—	—	—	5	—	5
Mr. Ho Pak Cho, Dennis Morgie (ii)	66	—	—	2	—	68
Mr. Poon Kai Leung, James	156	—	—	16	—	172
Mr. Wong Kam Ling	90	—	—	10	—	100

(i) Resigned on 8 April 2005.

(ii) Resigned on 3 June 2005.

(iii) Other benefits and allowances include employer's contribution to medical scheme, allowance paid to the directors for their attendance in the board or directors' meetings and traveling allowances.

The emoluments for all directors of the Company (executive and non-executive) fell within the band of nil to RMB1,020,000 (HKD1,000,000) during the years ended 31 December 2006 and 2005.

In 2005, Mr. Chen Chao waived the allowance provided for his attendance in the board of directors' meetings at RMB12,000. In 2006, Mr. Yang Hai and Mr. Wu Ya De waived the allowance provided for their attendance in the board of directors' meetings at RMB19,000 and RMB13,000, respectively. No other directors waived any emoluments during the years ended 31 December 2006 and 2005.

During the years ended 31 December 2006 and 2005, no emoluments had been paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

25 Employee benefit expenses (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals during the year are as follows:

	2006 RMB'000	2005 RMB'000
Basic salaries	**1,226**	1,213
Bonuses	**413**	443
Contributions to the retirement scheme	**57**	44
Other benefits and allowances	**143**	213
	1,839	1,913

The emoluments for all the above senior management fell within the band of nil to RMB1,020,000 (HKD1,000,000) during the years ended 31 December 2006 and 2005.

26 Finance costs

	2006 RMB'000	2005 RMB'000
Interest on bank borrowings	**103,030**	94,845
Interest on other borrowings	**845**	1,186
Less: interest expenses capitalised in construction in progress	**(3,989)**	(11,782)
	99,886	84,249
Other borrowing costs	**7,666**	16,409
Net foreign exchange gains	**(9,155)**	(37)
	98,397	100,621

Borrowing costs of RMB3,989,000 (2005: RMB11,782,000) arising on financing specifically entered into for the construction of toll roads and related facilities were capitalised during the year and are included in additions of construction in progress. Capitalisation rates ranged from 5.05% to 5.51% (2005: 5.05% to 5.51%) per annum were used, representing the borrowing costs of the loans incurred for financing the projects.

27 Income tax expenses

	2006 **RMB'000**	2005 RMB'000
Current income tax		
– PRC enterprise income tax	**105,596**	73,057
Deferred income tax		
– Originating temporary differences (Note 19)	**(13,562)**	7,014
– Reversal (Note 19)	**(42,134)**	—
	(55,696)	7,014
	49,900	80,071

(a) In 2006, the Company is subject to PRC enterprise income tax at a rate of 15% (2005: 15%), the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone.

(b) Pursuant to the approvals of the relevant tax authorities, a jointly controlled entity of the Company, Qinglong Company, is exempt from PRC enterprise income tax for the first two profit-making years and is entitled to a 50% reduction of its PRC enterprise income tax for the three consecutive years thereafter. It is the third profit-making year for Qinglong Company, as a result, Qinglong Company is subject to PRC enterprise income tax at a rate of 7.5%.

The PRC enterprise income tax charged to the consolidated income statement has been calculated based on the assessable profits of the Company and its subsidiaries and jointly controlled entities located in the PRC of the year at rates of tax applicable to the respective companies at 15% or 33% (2005: 15% or 33%).

(c) The applicable tax rate to Mei Wah, a subsidiary of the Company incorporated in Hong Kong, is 17.5% (2005: 17.5%). No provision for Hong Kong profits tax has been made in the financial statements since the subsidiary has no income assessable under Hong Kong profits tax. Maxprofit and JEL are incorporated in the British Virgin Islands and Cayman Islands, respectively, which are not subject to profits tax.

27 Income tax expenses (continued)

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the Company as follows:

	2006 **RMB'000**	2005 RMB'000
Profit before income tax	**643,729**	642,280
Calculated at a tax rate of 15% (2005: 15%)	**96,559**	96,342
Effect of different tax rates in other locations	**2,545**	1,134
Income not subject to tax	**(5,814)**	(19,798)
Expenses not deductible for tax purposes	**40**	74
Tax loss for which no deferred income tax asset was recognised	**745**	9,082
Utilisation of previously unrecognised tax losses	**—**	(5,552)
Reversal of deferred tax liabilities (Note 19)	**(42,134)**	—
Preferential tax benefits of jointly controlled entities	**(4,583)**	(4,813)
Share of results of associates which no deferred income tax was recognised	**2,542**	3,602
Income tax expenses	**49,900**	80,071

28 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 RMB522,886,000 (2005: RMB521,460,000).

29 Earnings per share

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

	2006	2005
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	**582,146**	552,622
Loss from discontinued operation attributable to equity holders of the Company (RMB'000)	**(3,056)**	—
Number of ordinary shares in issue (thousands)	**2,180,700**	2,180,700
Basic earnings/(loss) per share (RMB per share)		
– Profit from continuing operations	**0.267**	0.253
– Loss from discontinued operation	**(0.001)**	—

The Company had no dilutive potential shares in both 2005 and 2006 and the diluted earnings/(loss) per share presented is the same with basic earnings/(loss) per share.

30 Dividends

The dividends paid during the years ended 31 December 2006 and 2005 were RMB261,684,000 (RMB0.12 per share) and RMB239,877,000 (RMB0.11 per share), respectively. A final dividend in respect of 2006 of RMB0.13 per share, amounting to a total dividend of RMB283,491,000 is to be proposed at the Annual General Meeting on 20 April 2007. This proposed dividends was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

	2006 **RMB'000**	2005 RMB'000
Proposed final dividend of RMB0.13 (2005: RMB0.12) per ordinary share	**283,491**	261,684

31 Cash generated from operations

	2006 **RMB'000**	2005 RMB'000
Profit for the year	**590,773**	562,209
Adjustments for:		
– Income tax	**49,984**	80,071
– Depreciation	**154,279**	130,010
– Amortisation	**66,509**	37,624
– Loss recognised for measurement of disposal group classified as held for sale	**4,142**	—
– Provision for impairment of property, plant and equipment	**57,000**	—
– Reversal of provision for impairment of assets	**—**	(40,000)
– (Gain)/loss on disposal of property, plant and equipment	**(6)**	291
– Interest income from bank deposits	**(6,313)**	(9,798)
– Interest income from discounting of long-term receivables	**—**	(13,054)
– Interest income from loan to a jointly controlled entity	**(5,027)**	(6,315)
– Government subsidy income	**(20,947)**	(27,356)
– Subsidies from local government	**(12,789)**	(10,309)
– Excess of fair value of share of the net assets acquired in a jointly controlled entity over the cost of acquisition	**—**	(34,955)
– Interest expense	**99,886**	84,249
– Other borrowing costs	**7,666**	16,409
– Share of loss of associates	**16,948**	24,015
– Exchange gains	**(9,155)**	(37)
Changes in working capital (excluding the effects of acquisition):		
– Inventories	**571**	3,827
– Trade and other receivables	**56,093**	(121,092)
– Other payables and accrued expenses	**38,233**	43,198
Cash generated from operations	**1,087,847**	718,987

32 Commitments

Capital expenditure and investment commitments at the balance sheet date not yet incurred are as follows:

	2006 RMB'000	2005 RMB'000
Capital commitments – construction of toll roads		
– contracted but not provided for	**1,256,118**	1,054,550
– authorised but not contracted for	**1,389,332**	2,700,800
	2,645,450	3,755,350
Investment commitments		
– contracted but not provided for	**582,840**	188,840
– authorised but not contracted for	**—**	484,000
	582,840	672,840
	3,228,290	4,428,190

In the opinion of the directors, the above commitments could be fulfilled by internal financial resources and banking facilities made available to the Group.

33 Contingencies

Pursuant to the provisions of the three construction management contracts described in Note 23(a), the Company undertakes to bear costs overruns for these projects. For the Hengping Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For the Nanping Project and Wutong Mountain Project, the Company is obliged to bear solely all the cost overruns incurred in construction as compared to the original budget in case the overrun is less than 2.5% of the total budgeted contract costs, while the related government department will share the overruns portion exceeding 2.5% jointly with the Company if the overrun exceeds 2.5% of the total budgeted contract costs. The probability of outflow of resources arising from the cost overruns of these projects is considered low by the directors of the Company taking into account the actual progress and status of these projects.

Pursuant to the terms of the relevant contract, the Company had arranged a bank to issue irrevocable performance guarantee on its behalf to the Shenzhen Longgang Highway Bureau amounting to RMB30,000,000. The Company also paid a guarantee deposit of RMB15,000,000 for assuring the progress, quality and safety standards for the construction of the Hengping Project.

34 Related party transactions

The substantial shareholder of the Company is Xin Tong Chan, which owns 30.03% of the Company's shares. Xin Tong Chan is wholly owned by Shenzhen International Holdings Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited.

Apart from the related party transactions and balances in relation to acquisition of minority interest, toll income collection, guarantee for borrowings which have already been disclosed in Notes 9(a)(i), 12(b) and 18(c) respectively to these financial statements, the following material transactions were carried out with related parties during the year:

Key management compensation

	2006 **RMB'000**	2005 RMB'000
Salaries, bonues and other short-term employee benefits	**6,851**	6,402

The key management include directors (executive and non-executive) and senior management and there are in total 19 (2005: 19) key management personnel of the Company.

35 Events after the balance sheet date

(a) As detailed in Note 11(d), the Company acquired 20.09% equity interest held by Yueqing in Qinglian Company, together with its equity owner's loan and all other distributable interests in Qinglian Company at an aggregate cash consideration of RMB484,000,000 in January 2007. The management of the Company is in the progress of assessing the fair values of the identifiable assets acquired and liabilities assumed and it is not yet in a position to state the results of the acquisition up to the date of approval of these financial statements.

(b) In January 2007, Mei Wah, a subsidiary of the Company, entered into an agreement with a third party for the disposal of its 42% equity interest in Yungang Company at a cash consideration of RMB10,800,000. The transaction has not been completed up to the date of approval of these financial statements.

36 Comparatives

Certain comparative figures have been reclassified to conform with the current year presentation.