1 GENERAL INFORMATION

GZI Transport Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment in and development, operation and management of toll highways and bridges mainly in Guangdong Province, the People's Republic of China (the "PRC").

The Company is an exempted company incorporated under the laws of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is 25th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 10 April 2007.

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.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ended 31 December 2006:

HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
Amendment to HKAS 19	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to HKAS 21	Net Investment in a Foreign Operation
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement - Cash Flow Hedge Accounting of Forecast Intragroup Transactions - The Fair Value Option
Amendment to HKAS 39 and HKFRS 4 Amendment	Financial Guarantee Contracts
Amendment to HKFRS 1 and 6	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:

HKAS 1	Presentation of Financial Statements
HKAS 27	Consolidated and Separate Financial Statements
HKFRS 3	Business Combinations
HKFRS 6	Exploration for and Evaluation of Mineral Resources

The adoption of the above new standards, amendments to standards and interpretations did not have material impact to the Group's principal accounting policies or presentation of financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29	1 March 2006
HK(IFRIC)-Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
Amendment to HKAS 1	Presentation of Financial Statements: Capital Disclosures	1 January 2007

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments to standards and interpretations to the Group but is not yet in a position to state whether substantial changes to Group's principal accounting policies and presentation of the consolidated financial statements will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose 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. 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.

Inter-company 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 impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence 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 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 asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(iii) Joint ventures

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

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

(c) Interests in toll highways and bridges

Interests in toll highways and bridges comprise tangible infrastructures and intangible operating rights.

Tangible infrastructures

Major costs incurred in restoring tangible infrastructures of toll highway to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

Depreciation of tangible infrastructures of toll highway is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period of 30 to 36 years over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

The Group has been granted by the relevant local government authorities the rights to operate the toll highway for period of 30 to 36 years. According to the relevant governments' approval documents and the relevant regulations the Group is responsible for the construction of the toll highway and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll highway during the approved operating periods. The toll fees collected during the operating periods is attributable to the Group. The relevant toll highway assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

Intangible operating rights

Amortisation of intangible operating rights is provided on a straight-line basis over periods of 20 to 30 years in which the operating rights are held.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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 costs are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

(e) Investment properties

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment properties (continued)

Changes in fair values are recognised in the income statement.

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

(f) Impairment of non-financial assets

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

(g) 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 investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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. Investments 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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of available-for-sale financial assets are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "impairment losses on available-for-sale financial assets". Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include, but not limited to, the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

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

(h) Asset held for sale

The asset held for sale is stated at the lower of its carrying amount and fair value less cost to sell.

(i) 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.

(j) Cash and cash equivalents

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

(k) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 consolidated financial statements. However, 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, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Share-based compensation

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

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

(n) Revenue recognition

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

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

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

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

(o) Borrowing costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Retirement benefit costs

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

(q) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contingent liabilities and contingent assets

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

(b) Credit risk

The Group has no significant credit risk. Generally, the Group's cash is held with highly-rated financial institutions.

(c) Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Cash flow and fair value interest rate risk

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

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

3.2 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Depreciation on interests in toll highways and bridges

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

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

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 2 per cent to 7 per cent.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(b) Current income tax and deferred income tax

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

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

5 REVENUE

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

	2006	2005
	HK$'000	HK$'000
Toll revenue	**448,531**	424,845

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

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

6 OTHER INCOME

	2006	2005
	HK$'000	HK$'000
Rental income	**248**	264

7 OTHER GAINS - NET

	2006	2005
	HK$'000	HK$'000
Gain on disposal of partial interest in a jointly controlled entity	—	11,705
Fair value gains on investment properties (note 19)	**440**	1,306
Net exchange gains/(losses)	**27,147**	(11,486)
Others	**702**	719
	28,289	2,244

8 EXPENSES BY NATURE

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

	2006 HK$'000	2005 HK$'000
Amortisation of prepaid operating lease payments (note 17)	**18**	30
Auditors' remuneration	**1,200**	775
Depreciation of property, plant and equipment (note 18(a))	**2,480**	2,397
Outgoings in respect of investment properties	**29**	25
Staff costs (note 14)	**62,300**	48,351

9 FINANCE COSTS - NET

	2006 HK$'000	2005 HK$'000
Interest on bank borrowings	**2,334**	8,103
Interest on amount due to a minority shareholder of subsidiaries	**—**	2,166
Interest on loans from minority shareholders of subsidiaries	**15,620**	15,620
	17,954	25,889
Bank interest income	**(9,192)**	(3,041)
	8,762	22,848

10 INCOME TAX

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no income assessable to Hong Kong profits tax during the year (2005: nil).

(b) China enterprise income tax is provided on the profits of the Group's investments in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). The principal income tax rate is 18 per cent.

Under the China Tax Law, the Group's investments in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years. Certain of the Group's investments in China are qualified for the aforesaid tax holiday as at 31 December 2006.

10 INCOME TAX (continued)

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

	2006 HK$'000	2005 HK$'000
Current income tax		
China enterprise income tax	**36,088**	35,532
Deferred income tax (note 31)	**(396)**	(1,099)
	35,692	34,433

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

	2006 HK$'000	2005 HK$'000
Profit before income tax less shares of profits less losses from associates and jointly controlled entities	**207,137**	147,898
Calculated at a tax rate of 18 per cent (2005: 18 per cent)	**37,285**	26,622
Income not subject to tax	**(15,698)**	(10,929)
Expenses not deductible for tax purposes	**15,350**	20,197
Effect of different tax rates	**(1,245)**	(1,457)
Income tax charge	**35,692**	34,433

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$114,153,000 (2005: HK$98,442,000).

12 EARNINGS PER SHARE

Basic

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

	2006 HK$'000	2005 HK$'000
Profit attributable to equity holders of the Company	**461,157**	305,898
Weighted average number of ordinary shares in issue ('000)	**1,115,442**	1,114,929
Basic earnings per share (HK cents)	**41.3**	27.4

Diluted

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

	2006 HK$'000	2005 HK$'000
Profit attributable to equity holders of the Company	**461,157**	305,898
Weighted average number of ordinary shares in issue ('000)	**1,115,442**	1,114,929
Adjustments for share options ('000)	**47**	560
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,115,489**	1,115,489
Diluted earnings per share (HK cents)	**41.3**	27.4

13 DIVIDENDS

	Company	
	2006	2005
	HK$'000	HK$'000
Interim, paid, of HK$0.065 (2005: HK$0.05) per share	**72,504**	55,772
Final, proposed, of HK$0.07 (2005: HK$0.05) per share	**78,081**	55,772
	150,585	111,544

At a meeting held on 10 April 2007, the Directors proposed a final dividend of HK$0.07 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but is reflected as an appropriation of retained earnings for the year ending 31 December 2007.

14 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	HK$'000
Wages and salaries	**54,677**	42,966
Pension costs (defined contribution plans)	**2,564**	2,167
Social security costs	**2,010**	1,241
Staff welfare	**3,049**	1,977
	62,300	48,351

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

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

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

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

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
OU Bingchang	—	720	1,817	2,537
LI Xinmin	—	720	1,817	2,537
LI Zhuo (e)	—	720	1,582	2,302
CHEN Guangsong (c)	—	550	—	550
LIANG Ningguang	—	600	1,514	2,114
LIANG Yi	—	600	1,514	2,114
DU Xinrang	—	600	1,318	1,918
HE Zili	—	600	1,514	2,114
ZHANG Siyuan	—	600	1,318	1,918
TAN Yuande (e)	—	600	1,318	1,918
HE Baiqing (e)	—	600	1,318	1,918
ZHANG Huping (d)	—	600	1,318	1,918
	—	7,510	16,348	23,858
Non-executive directors				
POON Jing	38	—	—	38
FUNG Ka Pun [1]	125	—	—	125
LAU Hon Chuen Ambrose [1]	125	—	—	125
CHEUNG Doi Shu [1]	125	—	—	125
	413	—	—	413
	413	7,510	16,348	24,271

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

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

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

[1] *independent non-executive director*

Notes:

(a) Resigned on 2 November 2005

(b) Resigned on 19 April 2005

(c) Resigned on 28 November 2006

(d) Appointed on 2 November 2005

(e) Appointed on 19 April 2005

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

No Directors waived emoluments in respect of the years ended 31 December 2006 and 2005. No emoluments were paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2006 and 2005 are also Directors whose emoluments are reflected in the analysis presented above.

16 INTERESTS IN TOLL HIGHWAYS AND BRIDGES

	Group		
	Intangible operating rights	**Tangible infrastructures**	**Total**
	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005			
Opening net book amount	1,703,684	336,336	2,040,020
Exchange differences	38,116	7,932	46,048
Amortisation/depreciation	(93,290)	(12,761)	(106,051)
Closing net book amount	1,648,510	331,507	1,980,017
At 31 December 2005			
Cost	2,248,518	413,462	2,661,980
Accumulated amortisation/depreciation	(600,008)	(81,955)	(681,963)
Net book amount	1,648,510	331,507	1,980,017
Year ended 31 December 2006			
Opening net book amount	1,648,510	331,507	1,980,017
Exchange differences	62,028	13,260	75,288
Amortisation/depreciation	(98,015)	(13,608)	(111,623)
Closing net book amount	1,612,523	331,159	1,943,682
At 31 December 2006			
Cost	2,333,900	430,000	2,763,900
Accumulated amortisation/depreciation	(721,377)	(98,841)	(820,218)
Net book amount	1,612,523	331,159	1,943,682

17 LEASEHOLD LAND

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

	Group	
	2006	2005
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**700**	718
At 1 January	**718**	2,124
Transfer to investment properties (note 19)	**—**	(1,376)
Amortisation of prepaid operating lease payments	**(18)**	(30)
At 31 December	**700**	718

18 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2005				
Opening net book amount	14,278	10,232	1,898	26,408
Exchange differences	—	217	41	258
Additions	21	279	—	300
Transfer to investment properties (note 19)	(1,028)	—	—	(1,028)
Depreciation	(749)	(1,146)	(502)	(2,397)
Closing net book amount	12,522	9,582	1,437	23,541
At 31 December 2005				
Cost	18,265	16,496	5,443	40,204
Accumulated depreciation	(5,743)	(6,914)	(4,006)	(16,663)
Net book amount	12,522	9,582	1,437	23,541
Year ended 31 December 2006				
Opening net book amount	12,522	9,582	1,437	23,541
Exchange differences	—	359	57	416
Additions	—	3,637	1,636	5,273
Disposals	—	(65)	(23)	(88)
Depreciation	(731)	(1,148)	(601)	(2,480)
Closing net book amount	11,791	12,365	2,506	26,662
At 31 December 2006				
Cost	18,264	20,544	7,034	45,842
Accumulated depreciation	(6,473)	(8,179)	(4,528)	(19,180)
Net book amount	11,791	12,365	2,506	26,662

18 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2005			
Opening net book amount	581	25	606
Additions	47	22	69
Depreciation	(74)	(10)	(84)
Closing net book amount	554	37	591
At 31 December 2005			
Cost	1,378	1,753	3,131
Accumulated depreciation	(824)	(1,716)	(2,540)
Net book amount	554	37	591
Year ended 31 December 2006			
Opening net book amount	554	37	591
Additions	77	461	538
Disposal	(16)	—	(16)
Depreciation	(69)	—	(69)
Closing net book amount	546	498	1,044
At 31 December 2006			
Cost	1,383	2,251	3,634
Accumulated depreciation	(837)	(1,753)	(2,590)
Net book amount	546	498	1,044

19 INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**8,210**	4,500
Transfer from leasehold land and buildings (notes 17 and 18(a))	**—**	2,404
Fair value gains	**440**	1,306
At 31 December	**8,650**	8,210

The investment properties of the Group were revalued at 31 December 2006 on an open market value basis by an independent firm of professional surveyor, CS Surveyors Limited.

The Group's investment properties are held on leases of between 10 to 50 years in Hong Kong.

20 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**1,848,497**	1,848,497
Less: accumulated impairment losses	**(584,549)**	(584,549)
	1,263,948	1,263,948

Details of the principal subsidiaries of the Company are set out in note 38.

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

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group Share of net assets 2006 HK$'000	Group Share of net assets 2005 HK$'000
At 1 January	**475,549**	422,893
Share of post-acquisition results and reserves		
- profit before income tax	**78,217**	49,309
- income tax	**(3,004)**	(9,295)
	75,213	40,014
Capital injection	**101,500**	53,846
Disposals	**—**	(51,853)
Exchange differences	**18,908**	10,649
At 31 December	**671,170**	475,549

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

	Guangzhou Northern Second Ring Expressway Co., Ltd.		Guangzhou Western Second Ring Expressway Co., Ltd.	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Income	**137,753**	117,549	**—**	—
Expenses	**(62,540)**	(77,535)	**—**	—
Profit	**75,213**	40,014	**—**	—
Assets:				
Non-current assets	**945,777**	920,716	**798,743**	399,211
Current assets	**5,259**	5,547	**18,120**	46,107
	951,036	926,263	**816,863**	445,318
Liabilities:				
Non-current liabilities	**(495,558)**	(558,225)	**(528,500)**	(175,000)
Current liabilities	**(29,308)**	(30,470)	**(43,363)**	(132,337)
	(524,866)	(588,695)	**(571,863)**	(307,337)
Net assets	**426,170**	337,568	**245,000**	137,981

Details of the Group's jointly controlled entities are set out in note 38.

22 INVESTMENTS IN ASSOCIATES

	Group		
	Share of net assets	**Loans receivable**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2005	849,539	793,031	1,642,570
Share of post-acquisition results and reserves			
- profit before income tax	202,211	—	202,211
- income tax	(17,797)	—	(17,797)
	184,414	—	184,414
Dividends	(53,229)	—	(53,229)
Interest	—	40,099	40,099
Repayments	—	(153,630)	(153,630)
Exchange differences	20,598	5,720	26,318
At 31 December 2005	1,001,322	685,220	1,686,542
At 1 January 2006	1,001,322	685,220	1,686,542
Share of post-acquisition results and reserves			
- profit before income tax	280,179	—	280,179
- income tax	(38,925)	—	(38,925)
	241,254	—	241,254
Dividends	(79,532)	—	(79,532)
Interest	—	31,080	31,080
Repayments	—	(176,915)	(176,915)
Capitalisation of loans receivable	225,324	(225,324)	—
Exchange differences	38,230	5,157	43,387
At 31 December 2006	1,426,598	319,218	1,745,816

The loan balances are unsecured, have no fixed repayment terms and bear interest at the prevailing US dollars prime rates ranging from 7.50% to 8.25% (2005: 5.25% to 7.25%) per annum and lending rates of financial institutions in China at approximately 6.12% (2005: 6.12%) per annum.

22 INVESTMENTS IN ASSOCIATES (continued)

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

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**953**	1,024
US dollar	**253,751**	351,808
Renminbi	**64,514**	332,388
	319,218	685,220

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Income	**200,199**	152,340	**28,018**	27,909	**152,685**	133,685	**41,630**	35,087
Expenses	**(63,418)**	(49,617)	**(33,277)**	(35,317)	**(65,920)**	(62,182)	**(18,663)**	(17,491)
Profit/(loss)	**136,781**	102,723	**(5,259)**	(7,408)	**86,765**	71,503	**22,967**	17,596
Assets:								
Non-current assets	**701,403**	629,622	**761,381**	708,997	**278,179**	273,338	**291,626**	293,384
Current assets	**18,292**	13,097	**60,299**	22,087	**47,180**	77,286	**4,622**	3,028
	719,695	642,719	**821,680**	731,084	**325,359**	350,624	**296,248**	296,412
Liabilities:								
Non-current liabilities	**(356,572)**	(425,344)	**(181,295)**	(385,152)	**(70,998)**	(119,838)	**(28,128)**	(44,231)
Current liabilities	**(16,703)**	(13,863)	**(69,727)**	(17,817)	**(9,822)**	(11,232)	**(3,139)**	(2,040)
	(373,275)	(439,207)	**(251,022)**	(402,969)	**(80,820)**	(131,070)	**(31,267)**	(46,271)
Net assets	**346,420**	203,512	**570,658**	328,115	**244,539**	219,554	**264,981**	250,141

Details of the Group's associates are set out in note 38.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**65,925**	143,124
Impairment losses charged to income statement	**(10,982)**	(44,251)
Increase/(decrease) in fair value credited/(charged) to equity (note 29)	**3,802**	(36,088)
Transfer to asset held for sale	**(15,000)**	—
Exchange differences	**2,526**	3,140
At 31 December	**46,271**	65,925

These financial assets represent unlisted equity securities stated at fair value as at 31 December 2006 and are denominated in Renminbi.

24 OTHER NON-CURRENT ASSET

The amount represents a deposit paid for the acquisition of an additional 20% equity interest in a jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Ltd. Details of the acquisition are set out in note 36.

25 ASSET HELD FOR SALE

The Group has negotiated with a third party for disposal of an available-for-sale financial asset at a consideration of HK$15,000,000. As at 31 December 2006, the transaction is yet to be completed.

26 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Trade receivables are aged below 30 days and denominated in Renminbi.

27 BANK BALANCES AND CASH

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**248,305**	253,068	**57,167**	40,495
Short-term bank deposits	**91,409**	115,815	**91,409**	115,815
	339,714	368,883	**148,576**	156,310

The effective interest rate on short-term bank deposits was 4.14% (2005: 3.86%) per annum; these deposits have an average maturity of 7 days.

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**82,321**	82,935	**80,926**	82,838
US dollar	**80,606**	51,376	**58,619**	34,958
Renminbi	**176,787**	234,572	**9,031**	38,514
	339,714	368,883	**148,576**	156,310

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

28 SHARE CAPITAL

	Company Ordinary shares of HK$0.1 each Number of shares	HK$'000
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2005	1,114,649,530	111,465
Issued under employee share option scheme	792,000	79
At 31 December 2005 and 2006	1,115,441,530	111,544

Share options

Pursuant to a share option scheme (the "Old Share Option Scheme") approved by shareholders of the Company on 3 January 1997, the Board of Directors of the Company ("Board") may, at their discretion, grant to Directors and employees of the Company or any of its subsidiaries options to subscribe for ordinary shares in the Company.

As at 31 December 2006, there were no outstanding options granted under the Old Sshare Option Scheme to subscribe for shares of the Company.

Movements in the number of share options outstanding under the Old Sshare Option Scheme and their related exercise price are as follows:

Date of grant	Exercise price per share	Balance outstanding as at 1 January		Options lapsed during the year		Options exercised during the year		Balance outstanding as at 31 December	
	HK$	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
7 April 2000	0.752	**230,000**	1,114,000	**(230,000)**	(92,000)	**—**	(792,000)	**—**	230,000

On 25 June 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"), under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the number of shares in issue as at 25 June 2002. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. As at 31 December 2006, no such options have been granted to any person since its adoption.

29 RESERVES

Group

	Share premium HK$'000	Capital reserve (note (a)) HK$'000	Capital contribution reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Retained earnings (note (c)) HK$'000	Total HK$'000
Balance at 1 January 2005	576,947	1,705,497	15,620	11,479	29,049	—	1,049,871	3,388,463
Currency transaction differences								
- Group	—	—	—	43,935	—	—	—	43,935
- Associates	—	—	—	26,318	—	—	—	26,318
- Jointly controlled entities	—	—	—	10,649	—	—	—	10,649
Decrease in fair value of available-for-sale financial assets	—	—	—	—	—	(36,088)	—	(36,088)
Fair value adjustment on loans from minority shareholders of subsidiaries	—	—	15,620	—	—	—	—	15,620
Profit for the year	—	—	—	—	—	—	305,898	305,898
Issue of shares	516	—	—	—	—	—	—	516
2004 Final dividend (note 13)	—	—	—	—	—	—	(58,524)	(58,524)
2005 Interim dividend (note 13)	—	—	—	—	—	—	(55,772)	(55,772)
Balance at 31 December 2005	577,463	1,705,497	31,240	92,381	29,049	(36,088)	1,241,473	3,641,015
Representing:								
Retained earnings							1,185,701	
2005 Final dividend proposed							55,772	
							1,241,473	
Balance at 1 January 2006	577,463	1,705,497	31,240	92,381	29,049	(36,088)	1,241,473	3,641,015
Currency transaction differences								
- Group	—	—	—	17,825	—	—	—	17,825
- Associates	—	—	—	43,387	—	—	—	43,387
- Jointly controlled entities	—	—	—	18,908	—	—	—	18,908
Increase in fair value of available-for-sale financial assets	—	—	—	—	—	3,802	—	3,802
Fair value adjustment on loans from minority shareholders of subsidiaries	—	—	16,627	—	—	—	—	16,627
Transfer	—	—	—	—	(2,104)	—	2,104	—
Profit for the year	—	—	—	—	—	—	461,157	461,157
2005 Final dividend (note 13)	—	—	—	—	—	—	(55,772)	(55,772)
2006 Interim dividend (note 13)	—	—	—	—	—	—	(72,504)	(72,504)
Balance at 31 December 2006	577,463	1,705,497	47,867	172,501	26,945	(32,286)	1,576,458	4,074,445
Representing:								
Retained earnings							1,498,377	
2006 Final dividend proposed							78,081	
							1,576,458	

29 RESERVES (continued)

Group (continued)

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

(b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, associates and jointly controlled entities in China. As stipulated by regulations in China, the Company's subsidiaries, associates and jointly controlled entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Foreign Investment Enterprises Accounting Standards in China, upon approval by the board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital. Included in the Group's statutory reserves is HK$1,734,000 (2005: HK$1,536,000) attributable to associates.

(c) Included in the Group's retained earnings are retained earnings of HK$638,028,000 (2005: HK$486,007,000) and HK$64,500,000 (2005: accumulated losses of HK$10,700,000) attributable to associates and jointly controlled entities respectively.

29 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2005	576,947	1,773,497	370,915	2,721,359
Profit for the year	—	—	98,442	98,442
Issue of shares	516	—	—	516
2004 Final dividend (note 13)	—	—	(58,524)	(58,524)
2005 Interim dividend (note 13)	—	—	(55,772)	(55,772)
At 31 December 2005	577,463	1,773,497	355,061	2,706,021
Representing:				
Retained earnings			299,289	
2005 Final dividend proposed			55,772	
			355,061	
At 1 January 2006	577,463	1,773,497	355,061	2,706,021
Profit for the year	—	—	114,153	114,153
2005 Final dividend (note 13)	—	—	(55,772)	(55,772)
2006 Interim dividend (note 13)	—	—	(72,504)	(72,504)
At 31 December 2006	577,463	1,773,497	340,938	2,691,898
Representing:				
Retained earnings			262,857	
2006 Final dividend proposed			78,081	
			340,938	

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

30 BORROWINGS

	Group 2006 HK$'000	Group 2005 HK$'000
Non-current		
Loans from minority shareholders of subsidiaries	**449,739**	421,864
Current		
Short-term bank borrowings	**—**	67,308
Current portion of long-term bank borrowings	**—**	76,923
	—	144,231
Total borrowings, unsecured and denominated in Renminbi	**449,739**	566,095

(a) The bank borrowings at 31 December 2005 were fully repaid in 2006.

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

(b) The effective interest rate of bank borrowings at 31 December 2005 was 5.184%.

Except for an aggregate amount of HK$129,000,000 (2005: HK$120,561,000) which bears interest at the prevailing Bank of China Rmb long-term lending rates ranging from 6.120% to 6.840% (2005: 6.120%) per annum, the loans from minority shareholders of subsidiaries are interest-free.

(c) The carrying amounts of the non-current borrowings approximate to their fair values.

The fair values are based on cash flows discounted using a rate of 5.184% (2005: 5.184%).

The carrying amounts of current borrowings approximate their fair value.

31 DEFERRED INCOME TAX

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

	Group	
	2006	2005
	HK$'000	HK$'000
Deferred income tax assets	**(312)**	(417)
Deferred income tax liabilities	**5,484**	5,985
	5,172	5,568

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

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January	**5,568**	6,667
Credited to income statement (note 10(c))	**(396)**	(1,099)
At 31 December	**5,172**	5,568

31 DEFERRED INCOME TAX (continued)

The detail movements in deferred income tax assets and liabilities during the year are as follows:

Deferred income tax assets:

	Revaluation of investment properties HK$'000
At 1 January 2005	(586)
Charged to income statement	169
At 31 December 2005	(417)
Charged to income statement	105
At 31 December 2006	(312)

Deferred income tax liabilities:

	Accelerated depreciation HK$'000
At 1 January 2005	7,253
Credited to income statement	(1,268)
At 31 December 2005	5,985
Credited to income statement	(501)
At 31 December 2006	5,484

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

The amounts are unsecured, interest free and repayable on demand. They are denominated in Renminbi and Hong Kong dollar respectively.

33 NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash generated from operations

	2006 HK$'000	2005 HK$'000
Operating profit	184,819	130,647
Amortisation/depreciation of interests in toll highways and bridges	111,623	106,051
Amortisation of prepaid operating lease payment	18	30
Depreciation of property, plant and equipment	2,480	2,397
Impairment losses on available-for-sale financial assets	10,982	44,251
Fair value gains on investment properties	(440)	(1,306)
Loss on disposal of property, plant and equipment	24	—
Gain on disposal of partial interest in a jointly controlled entity	—	(11,705)
Exchange differences	(27,147)	11,486
Operating profit before working capital changes	282,359	281,851
Decrease/(increase) in receivables, deposits and prepayments	12,894	(5,710)
Increase/(decrease) in payables and accrued charges	16,937	(2,194)
Decrease in amount due to a minority shareholder of subsidiaries	(4,723)	(2,316)
Increase in amounts due to holding companies	373	682
Net cash generated from operations	307,840	272,313

34 COMMITMENTS

At 31 December 2006, the Group had financial commitments in respect of equity capital to be injected to two jointly controlled entities of approximately HK$648,800,000 (2005: one jointly controlled entity of approximately HK$198,558,000), of which HK$543,800,000 relates to an acquisition as disclosed as subsequent event in note 36.

At 31 December 2006, the Group's share of capital commitments of a jointly controlled entity not included in the above approximates to HK$243,600,000 (2005: HK$599,200,000).

At 31 December 2006, the Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2006	2005
	HK$'000	HK$'000
Lease payments		
Not later than one year	**294**	202
Later than one year and not later than five years	**294**	—
	588	202
Lease receipts		
Not later than one year	**391**	293
Later than one year and not later than five years	**361**	29
	752	322

The Company had no commitments at 31 December 2006 and 2005.

35 RELATED PARTY TRANSACTIONS

(a) Related parties

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

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Group has significant transaction during the year, and their relationship with the Company as at 31 December 2006:

Significant related party	**Relationship with the Company**
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A substantial shareholder of ultimate holding company (2005: ultimate holding company)
Guangzhou Investment Company Limited ("GZI")	Ultimate holding company (2005: an intermediate holding company)
Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR")	A jointly controlled entity of a subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd.	A jointly controlled entity of a subsidiary
Guangdong Humen Bridge Co., Ltd.	An associate of a subsidiary
Guangdong Qinglian Highway Development Co., Ltd.	An associate of a subsidiary
Guangdong Shantou Bay Bridge Co., Ltd.	An associate of a subsidiary
Guangzhou Northring Freeway Co., Ltd.	An associate of a subsidiary

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

	2006 **HK$'000**	2005 HK$'000
Administrative service fees shared with GZI	**1,300**	1,300
Rental expenses paid to Yue Xiu	**202**	202

(c) Key management compensation

	2006 **HK$'000**	2005 HK$'000
Salaries and other short-term benefits	**24,271**	16,071

36 SUBSEQUENT EVENT

On 20 November 2006, the Group entered into an agreement (the "agreement") with Guangzhou Development Infrastructure Investments Co., Ltd., to acquire an additional 20% equity interest in a jointly controlled entity, Guangzhou Northern Second Ring Expressway Co., Ltd., for a consideration of RMB666,200,000. A deposit of HK$132,580,000 (equivalent to approximately RMB133,906,000) was paid on 20 November 2006. The acquisition was completed in March 2007 and was financed by a 5-year unsecured bank loan and internal funds.

37 APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board on 10 April 2007.

38 GROUP STRUCTURE

As at 31 December 2006, the Company held shares/interest in the following principal subsidiaries, jointly controlled entities and associates.

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2006 and 2005		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Guangzhou Nanxin Highways Development Company Limited	People's Republic of China, limited liability company	Rmb141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen

38 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2006 and 2005 Direct	Indirect	Principal activities
Principal subsidiaries					
Guangzhou Qiaowei Highways Development Company Limited	People's Republic of China, limited liability company	Rmb12,326,000	—	100	Investment holding in Guangzhou Suiqiao Development Company Limited
Guangzhou Suiqiao Development Company Limited	People's Republic of China, limited liability company	Rmb1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Taihe Highways Development Company Limited	People's Republic of China, limited liability company	Rmb155,980,000	—	80	Development and management of Guangcong Highway Section I linking Guangzhou and Conghua
Guangzhou Tailong Highways Development Company Limited	People's Republic of China, limited liability company	Rmb116,667,000	—	51	Development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 1909 linking Conghua and Longtan
Guangzhou Weian Highways Development Company Limited	People's Republic of China, limited liability company	Rmb175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou
Guangzhou Xinguang Highways Development Company Limited	People's Republic of China, limited liability company	Rmb143,333,000	—	55	Development and management of Guanghua Highway linking Guangzhou and Huadu

38 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2006 and 2005		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Guangzhou Yue Peng Information Ltd.	People's Republic of China, limited liability company	Rmb260,000,000	—	100	Investment holding
Hunan Yue Tung Highway and Bridge Development Company Limited	People's Republic of China, limited liability company	Rmb21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Kinleader Co., Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guandong Humen Bridge Co., Ltd.
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Proterall Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Qiaowei Highways Development Company Limited

38 GROUP STRUCTURE (continued)

	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2006 and 2005		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Shaanxi Jinxiu Transport Co., Limited	People's Republic of China, limited liability company	Rmb100,000,000	—	100	Development and management of Xian-Lintong Expressway in Shaanxi Province
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited

38 GROUP STRUCTURE (continued)

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

	Place of establishment and operation	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company 2006 and 2005 Direct	Indirect	Principal activities
Associates					
Guangdong Humen Bridge Co., Ltd.	People's Republic of China	Rmb273,900,000	—	25	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Co., Ltd.	People's Republic of China	Rmb1,200,000,000	—	23.6	Development and management of National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Co., Ltd.	People's Republic of China	Rmb75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Co., Ltd.	People's Republic of China	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road