Notes to the Consolidated Financial Statements

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 and its subsidiaries (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 14 March 2008.

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"). The PRC statutory financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the People's Republic of China ("CAS"). Appropriate restatements have been made to the PRC statutory financial statements to conform with HKFRS.

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

The Group reported net current liabilities of approximately RMB463,580,000 as at 31 December 2007. The directors of the Company had 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 the total equity of the Group at 31 December 2007 amounted to approximately RMB7,962,693,000 and it has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB8.3 billion at 31 December 2007, including the facilities expiring beyond one year of approximately RMB5.3 billion, 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 new standards, amendment to standard and interpretations are mandatory for financial year ended 31 December 2007:

- HK(IFRIC)-Int 7, 'Applying the Restatement Approach under HKAS 29', this interpretation is not relevant to the Group's operations.
- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', this interpretation is not relevant to the Group's operations.
- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', this interpretation does not have significant impact on the Group's financial statements.
- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. Management has adopted the interpretation but it does not have any impact on the Group's financial statements.
- HKFRS 7, 'Financial Instruments: Disclosures' and the complementary amendment to HKAS 1, 'Presentation of Financial Statements - Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and other payables.

The following new/revised standards and interpretations to existing standards have been issued but are not effective for 2007 and have not been early adopted or are not relevant to the Group's operations:

- HK(IFRIC)-Int 11, 'HKFRS 2 - Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. 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 contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Group will apply this interpretation from 1 January 2008. The expected impact is still being assessed in detail by management.
- HK(IFRIC)-Int 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The interpretation is not relevant to the Group's operations.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- HK(IFRIC)-Int 14, 'HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction', effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is not relevant to the Group's operations.

- HKFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosure about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management.

- HKAS 23 (Revised), 'Borrowing Costs', effective for annual periods beginning on or after 1 January 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply this revised standard from 1 January 2009. The existing accounting policy of the Group is consistent with this revised standard and the adoption will not result in any changes.

2.2 Changes in accounting policies

In previous years, the Group adopted the proportionate consolidation method under HKAS 31, 'Interests in Joint Ventures', to account for its interests in jointly controlled entities. Effective from 1 January 2007, the Group changed to adopt equity method of accounting, the alternative method under HKAS 31, to account for its interests in jointly controlled entities.

The directors of the Company are of the view that the change in accounting method for interests in jointly controlled entities would provide more reliable, relevant and comparable information of its interests in jointly controlled entities on the Group's financial position, financial performance and cash flows, which is consistent with the basis adopted in the Group's PRC statutory financial statements prepared based on the CAS effective from 1 January 2007. According to CAS, equity method of accounting is mandatorily adopted for the accounting of interests in jointly controlled entities. Given the facts that the CAS is formulated based on a similar conceptual framework as HKFRS and HKAS 31 does not specify whether proportionate consolidation method or equity method of accounting is superior than the other, the directors of the Company consider that consistent application of equity method of accounting would enhance the comparability of financial information presented in its statutory financial statements prepared under CAS as well financial statements prepared under HKFRS. It is also noted that the International Accounting Standards Board is currently considering the removal of proportionate consolidation method of accounting for interests in joint arrangements in the Exposure Draft 9, 'Joint Arrangements'.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

This change in accounting policy has been applied retrospectively and resulted in:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Increase in investments in jointly controlled entities	**1,513,630**	1,685,182
Decrease in other non-current assets	**1,878,879**	2,042,297
Decrease in current assets	**79,509**	63,149
Decrease in non-current liabilities	**404,118**	359,437
Decrease in current liabilities	**40,640**	60,827
Decrease in other reserves	**9,413**	9,413
Increase in retained earnings	**9,413**	9,413

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Decrease in revenue and other income	**605,372**	475,363
Decrease in costs and expenses	**341,106**	263,096
Decrease in income tax expenses	**60,316**	10,001
Increase in share of profit of jointly controlled entities	**203,950**	202,266

There was no impact on net profit and earnings per share as a result of this change in accounting policy. The opening retained earnings at 1 January 2006 has been increased by RMB3,187,000, as a result of restatements made to share of reserve appropriation of the jointly controlled entities.

In addition, in previous years, the Group reported its share of statutory reserve appropriations made by the entities consolidated in the Group's consolidated financial statements based on the respective equity interests held by the Group in these entities. Effective from 1 January 2007, the Group does not make such reserve appropriations upon the preparation of its consolidated financial statements of the Group, and the corresponding changes to the reserves have been retrospectively restated.

There was no impact on net profit and earnings per share as a result of the change. The opening retained earnings at 1 January 2006 has been increased by RMB126,361,000.

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

The overall impact of the above restatements to reserves is presented as below:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Decrease in other reserves	**190,451**	155,268
Increase in retained earnings	**190,451**	155,268

2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries 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. 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 provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (continued)

2.3 Consolidation (continued)

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners 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 deducted from 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 losses) identified on acquisition.

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 long-term 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.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses (Note 2.9). 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)

2.3 Consolidation (continued)

(d) Joint ventures

A jointly controlled entity is a contractual arrangement whereby the Group and other parties establish a company to 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 investments in jointly controlled entities include goodwill (net of accumulated impairment losses) indentified on acquisition.

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

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 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"). The consolidated financial statements are presented in RMB, which is 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 Summary of significant accounting policies (continued)

2.6 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.

Depreciation of buildings and structures is calculated to write off 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 cost 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 2.9).

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

2 Summary of significant accounting policies (continued)

2.7 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 2.20). Costs are transferred to property, plant and equipment upon completion.

2.8 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.

2.9 Impairment of investments in subsidiaries, joint ventures and 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 are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Investments in associates are also assessed whether impairment test is required based on the existence of objective evidence. 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 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', 'loan to a subsidiary', 'restricted cash' and 'cash and cash equivalents' in the balance sheet (Notes 2.14 and 2.15). Loans and receivables are carried at amortised cost using the effective interest method.

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.

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. Impairment testing of trade receivables is described in Note 2.14.

2 Summary of significant accounting policies (continued)

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument.

2.12 Non-current assets held for sale

Non-current assets 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.

2.13 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.

2.14 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 gains/losses'. 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 gains/losses' in the income statement.

2.15 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 Summary of significant accounting policies (continued)

2.16 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.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of income tax effects.

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.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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)

2.18 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) 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.

2.19 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.

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.

2.20 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 Summary of significant accounting policies (continued)

2.21 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 only 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.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

(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 2.22. Other subsidy income is recognised on a receipt basis or when there is a reasonable assurance that the subsidy will be received.

2.22 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 and the basis as determined based on the government grants and 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 as deferred government grants. 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.

2.23 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.24 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 and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Risk Management Committee under policies approved by the Board of Directors.

(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 RMB12,210,000 (2006: RMB55,678,000) and bank borrowings of RMB95,511,000 (2006: RMB162,761,000) which were denominated in Hong Kong dollars ("HKD") and other borrowings of RMB16,864,000 (2006: RMB26,169,000) which were denominated in United States dollars ("USD"), respectively as at 31 December 2007. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2007, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB4,179,000 (2006: RMB5,522,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash in banks and borrowings. As at 31 December 2007, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the year would have been RMB711,000 (2006: RMB1,110,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated borrowings.

(b) 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's policy is to maintain approximately 50% of its borrowings in fixed rate instruments. During 2007 and 2006, the Group's borrowings at variable rates were denominated in RMB and HKD.

The Company's long-term borrowings and loan to a subsidiary were issued at fixed rates, and expose the Company to fair value interest rate risk.

The Group's borrowings to the extent of RMB1,612 million (2006: RMB883 million) were issued at variable rates. As at 31 December 2007, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB5 million (2006: RMB4 million) higher or lower.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Cash flow and fair value interest rate risk (continued)

During the year ended 31 December 2007, the Group adopted a floating-to-fixed interest rate swap instrument to manage its cash flow interest rate risk for a long-term borrowing. This interest rate swap has the economic effect of converting borrowings form floating rates to fixed rates. Under the interest rate swap arrangement, the Company agreed with other party to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

(c) Credit risk

The Group has no significant concentration of credit risk, except for the amount due from the Shenzhen Communications Bureau for the management services income recognised (Note 13(a)). The carrying amounts of cash and cash equivalents and trade and other receivables represent the Group's maximum exposure in relation to financial assets.

The table below shows the bank deposits balance of the major counterparties of the Group as at 31 December 2007 and 2006:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Counterparty		
State-owned banks	**274,207**	130,233
Other banks	**208,471**	204,864
	482,678	335,097

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and others are the listed banks or commercial banks at medium/large size. Management do not expect any losses from non-performance by these counterparties.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) 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.

Management monitors the liquidity of the Group through performing rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (Note 19(i)) and cash and cash equivalents (Note 15)) based on expected future cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**
Group				
At 31 December 2007				
Borrowings	**390,984**	**425,984**	**1,415,807**	**3,776,760**
Other payables	**750,185**	**—**	**4,710**	**—**
At 31 December 2006				
Borrowings	1,203,141	6,397	519,392	330,000
Other payables	810,650	—	24,594	—
Company				
At 31 December 2007				
Borrowings	**390,984**	**425,984**	**1,034,896**	**2,835,000**
Other payables	**508,863**	**—**	**—**	**—**
At 31 December 2006				
Borrowings	1,203,141	6,397	356,631	330,000
Other payables	800,087	—	—	—

3 Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other industry players, the Group monitors its capital to debt position based on its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is maintain a gearing ratio within 50% to 60% and an AAA credit rating. The gearing ratio of the Group at 31 December 2007 and 2006 were as follows:

	2007	2006
	RMB'000	RMB'000
Total borrowings (Note 19)	**5,642,947**	2,058,930
Less: Cash and cash equivalents (Note 15)	**(466,990)**	(328,494)
Net debt	**5,175,957**	1,730,436
Total equity	**7,962,693**	6,604,638
Total capital	**13,138,650**	8,335,074
Gearing ratio	**39.39%**	20.76%

The increase in the gearing ratio during 2007 resulted primarily from the increase of borrowings to finance the new construction projects.

3.3 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 2.6 and 2.22, 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 2.6, 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 been material changes. In 2006, the Company appointed a professional traffic consultant in the PRC to perform independent professional traffic study on the Total Projected Traffic Volume of respective major toll roads operated by the Group. The Total Projected Traffic Volume applied by the Group for the determination of depreciation of toll roads and recognition of deferred income for the year ended 31 December 2007 was developed based on the professional traffic study performed in 2006. The directors of the Company considered that these are their best current estimates on the Total Projected Traffic Volume.

(b) Revenue recognition relating to construction management contracts

For the year ended 31 December 2007, the Group recognised construction management services income of RMB102,250,000 in aggregate for construction management services rendered for two construction projects, the Nanping Freeway (Phase 1) Project ("Nanping Project") and the Wutong Mountain Avenue (Supplementary Road) and Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project ("Wutong Mountain Project"). These two projects are undertaken on behalf of the local government authorities. The construction management services income is recognised based on the percentage of completion method (details laid down in the Group's accounting policies as stated in Note 2.21(b)) and the cumulative income recognised for the two projects up to 31 December 2007 was RMB191,876,000 and RMB15,498,000, respectively. 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 for the projects and the compilation of the Savings.

Due to the fact that the total budgeted project costs, total contract prices and the compilation of the Savings of the two projects had not been finalised with the related government authorities as at 31 December 2007, the directors made the best estimate of the amounts based on the results of the audit on each project conducted by the audit department of the government authorities, if available, and the relevant communication results made with the authorities and information obtained from them.

4 Critical accounting estimates and judgements (continued)

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

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

Were the magnitudes of the final approved project costs and the total actual costs for the projects were to be differed by 5% from management's current estimates with all other variables held constant, the construction management services income recognised during the year would be increased by approximately RMB16,827,000 if favorable, or would be decreased by approximately RMB16,827,000 if unfavorable.

(c) Impairment provision of investment in a jointly controlled entity

As mentioned in Note 2.2, the Group previously accounted for its interests in jointly controlled entities under the proportionate consolidation method before 2007. In 2007, the Group changed its accounting policy to equity method of accounting. As at 31 December 2006, the cumulative impairment provision on the toll road assets of Changsha Shenchang Expressway Company Limited ("Shenchang Company"), a jointly controlled entity of the Company, in the amount of RMB134,000,000 had been recognised in the consolidated financial statements of the Company as impairment loss provision against property, plant and equipment as determined based on the Company's equity interest held in Shenchang Company. As the Group changed to adopt equity method of accounting effective from 1 January 2007, the comparative figures of 2006 have been restated that the cumulative impairment provision as at 31 December 2006 is applied against the Company's share of net investment in Shenchang Company.

In addition, in accordance with the accounting policy stated in Note 2.9, the Group performs impairment tests on its investments in jointly controlled entities whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In current year, there is indication that the toll road assets of Shenchang Company are subject to further impairment losses. In order to assess the recoverable amount of the investment in Shenchang Company, the Company appointed a professional valuer in the PRC to reassess the recoverable amount of the relevant assets of Shenchang Company. According to the assessment results, additional impairment provision of RMB174,510,000 against the toll road assets of Shenchang Company was required. Accordingly, the Group recognised its share of such impairment loss, equal to RMB89,000,000, computed based on the Group's interest in Shenchang Company in current year and the amount was reflected as the Group's share of results of this jointly controlled entity in the consolidated income statement. Overall, the Group's share in Shenchang Company's cumulative impairment provision was RMB223,000,000 as at 31 December 2007.

4 Critical accounting estimates and judgements (continued)

(c) Impairment provision of investment in a jointly controlled entity (continued)

The assessment of the recoverable amount of toll road assets of Shenchang Company was determined based on value-in-use valuation, 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 in 2006. 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 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 the toll road assets of Shenchang Company to differ by 5% from the current estimates made by the directors of the Company, the Group would have to report an additional impairment provision of approximately RMB4,500,000 if unfavorable, or to reduce the current year impairment provision by approximately RMB4,500,000 if favorable.

(d) Estimate of fair values of acquired assets and liabilities from acquisition

The Group previously held 56.28% equity interest in Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"). In 2007, the Group acquired 20.09% additional equity interest in Qinglian Company at a cash consideration of RMB484,000,000. Details of the acquisition are set out in Note 33. In accordance with HKFRS 3, the identifiable assets acquired and liabilities and contingent liabilities assumed should be measured at fair value at the date of acquisition in order to determine the difference between the cost of acquisition and the fair value of the Group's share of net assets acquired, which should then be recognised as goodwill in the balance sheet or recognised directly in the income statement. The effective date of the acquisition was on 1 January 2007 (the "Acquisition Date") and Qinglian Company became a subsidiary of the Company from then onwards.

4 Critical accounting estimates and judgements (continued)

(d) Estimate of fair values of acquired assets and liabilities from acquisition (continued)

In the absence of an active market for the above business combination undertaken by the Group, in order to determine the fair values of assets acquired and liabilities assumed, the directors of the Company had made estimates from a variety of sources, in order to determine the fair values of identifiable assets and liabilities in the transaction, as summarised below:

— An enterprise fair value ("Enterprise Fair Value") of Qinglian Company was ascertained by an independent professional valuer close to the Acquisition Date based on the discounted projected cash flow model ("Cash Flow Model");

— Fair values of all working capital items of Qinglian Company are stated at their then net book value as at the Acquisition Date, after making applicable adjustments according to the latest audited results ("Working Capital Values");

— The tangible asset to be identified in the acquisition which is subject to significant fair value adjustment assessment is determined to be expenditures incurred by Qinglian Company on constructing the toll road assets under the grant of the operating right. The fair values of related assets are determined based on the Enterprise Fair Value minus the Working Capital Values so ascertained, as described above.

As a result of the above assessment, the directors of the Company determined the respective fair values of the identifiable assets acquired and liabilities assumed in the transaction. The difference between the cost of acquisition and the fair value of the Group's share of net assets acquired amounted to RMB127,206,000 and has been recognised as other gain in the income statement for the year ended 31 December 2007. The change in fair value of the 56.28% equity interest previously held by the Group up to the Acquisition Date amounting to approximately RMB127 million (a revaluation loss) has been charged to the income statement against other gain.

The determination of the Enterprise Fair Value of the acquisition rests on various assumptions employed in the compilation of the Cash Flow Model such as projected growth/increase of traffic flows and toll rates, taxes to be levied on toll income, as well as discount rate applied to discount the expected future cash flows to the net present value. The Company uses assumptions that are mainly based on market conditions existing at the Acquisition Date.

Were the fair value of net assets of Qinglian Company to be differed by 5% from the current estimates made by the directors of the Company, the income recognised in respect of the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition would be increased or decreased by approximately RMB31 million, and the loss recognised in respect of the change in fair value of the 56.28% equity interest previously held would be increased or decreased by approximately RMB31 million.

5 Segment information

At 31 December 2007, the Group is organised into two main business segments:

— Toll road business

— Provision of construction management services

Revenue consists of income from operations of toll roads and service income derived from the construction management services segment, which are RMB1,068,100,000 and RMB750,535,000 for the years ended 31 December 2007 and 2006, respectively.

Other group operations mainly comprise provision of advertising services and other services. None of these operations constitutes a separately reportable segment.

The segment results for the year ended 31 December 2007 are as follows:

	Toll road RMB'000	Construction management services RMB'000 (Note 13(a))	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	**965,850**	**102,250**	**35,355**	**—**	**1,103,455**
Segment result	**614,907**	**94,494**	**17,961**	**—**	**727,362**
Other income (Note 23)	**29,301**	**—**	**—**	**9,085**	**38,386**
Other gains/(losses) – net (Note 24)	**2,516**	**—**	**—**	**(2,167)**	**349**
Administrative expenses	**—**	**—**	**—**	**(50,232)**	**(50,232)**
Operating profit					**715,865**
Finance costs (Note 27)	**(140,326)**	**—**	**—**	**8,549**	**(131,777)**
Share of profit of jointly controlled entities (Note 11)	**203,950**	**—**	**—**	**—**	**203,950**
Share of loss of associates (Note 12)	**(14,457)**	**—**	**971**	**—**	**(13,486)**
Profit before income tax					**774,552**
Income tax expenses (Note 28)					**(106,630)**
Profit for the year					**667,922**

5 Segment information (continued)

The segment results for the year ended 31 December 2006 (restated, note (a)) are as follows:

	Toll road RMB'000	Construction management services RMB'000 (Note 13(a))	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	719,067	31,468	18,756	—	769,291
Segment result	504,809	21,118	8,724	—	534,651
Other income (Note 23)	31,187	—	—	10,716	41,903
Other losses – net (Note 24)	(4,142)	—	—	(143)	(4,285)
Administrative expenses	—	—	—	(45,357)	(45,357)
Operating profit					526,912
Finance costs (Note 27)	(83,052)	—	—	1,494	(81,558)
Share of profit of jointly controlled entities (Note 11)	202,266	—	—	—	202,266
Share of loss of associates (Note 12)	(17,508)	—	560	—	(16,948)
Profit before income tax					630,672
Income tax expenses (Note 28)					(39,899)
Profit for the year					590,773

Other segment items included in the income statement are as follows:

	Year ended 31 December 2007					Year ended 31 December 2006 (restated, note (a))				
	Toll road RMB'000	**Construction management services RMB'000**	**Others RMB'000**	**Unallocated RMB'000**	**Group RMB'000**	Toll road RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Depreciation (Note 6)	**172,899**	**—**	**1,262**	**4,153**	**178,314**	109,298	—	1,555	3,990	114,843
Amortisation (Note 8)	**11,343**	**—**	**—**	**—**	**11,343**	11,343	—	—	—	11,343

Note (a): During 2006, construction management services did not qualify as a separate segment. However, the segment qualifies as a separate segment in 2007 and comparative figures for 2006 have been restated accordingly.

5 Segment information (continued)

Segment assets consist primarily of property, construction in progress, plant and equipment, land use rights, inventories, trade and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise deferred taxation, investments in jointly controlled entities, investments in associates, non-current assets classified as held for sale and other assets not subject to allocation.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 6) and construction in progress (Note 7), including those additions resulting from acquisitions through business combination (Note 33).

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Business segment				
	Toll road	Construction management services	Others	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets	**12,073,960**	**150,498**	**21,679**	**2,953,461**	**15,199,598**
Liabilities	**923,388**	**19,161**	**11,441**	**6,282,915**	**7,236,905**
Capital expenditure (Notes 6 and 7)	**7,206,261**	**—**	**3,574**	**123,064**	**7,332,899**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2007 as follows:

	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities	**12,246,137**	**953,990**
Unallocated:		
Property, plant and equipment	**36,642**	**—**
Construction in progress	**134,204**	**—**
Investments in jointly controlled entities	**1,513,630**	**—**
Investments in associates	**1,141,828**	**—**
Cash and cash equivalents	**88,781**	**—**
Trade and other receivables	**38,376**	**—**
Other payables	**—**	**138,168**
Current income tax liabilities	**—**	**27,565**
Deferred income tax liabilities	**—**	**474,235**
Current borrowings	**—**	**390,984**
Non-current borrowings	**—**	**5,251,963**
Total	**15,199,598**	**7,236,905**

5 Segment information (continued)

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Business segment				
	Toll road RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	4,890,176	59,528	14,856	4,934,295	9,898,855
Liabilities	1,111,151	12,496	5,360	2,165,210	3,294,217
Capital expenditure (Notes 6 and 7)	1,105,979	—	3,478	3,836	1,113,293

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2006 as follows:

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities	4,964,560	1,129,007
Unallocated:		
Property, plant and equipment	36,187	—
Construction in progress	10,214	—
Investments in jointly controlled entities	1,685,182	—
Investments in associates	3,006,665	—
Cash and cash equivalents	129,181	—
Trade and other receivables	11,959	—
Deferred income tax assets	1,878	—
Non-current assets classified as held for sale	53,029	—
Other payables	—	56,698
Current income tax liabilities	—	22,715
Deferred income tax liabilities	—	26,867
Current borrowings	—	1,203,141
Non-current borrowings	—	855,789
Total	9,898,855	3,294,217

No geographical segment information is presented as substantially all the Group's business activities were carried out and all the Group's assets are located in the PRC.

6 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 2006, as restated					
Cost	2,839,225	192,497	222,650	15,933	3,270,305
Accumulated depreciation	(241,304)	(39,669)	(92,815)	(10,723)	(384,511)
Net book amount	2,597,921	152,828	129,835	5,210	2,885,794
Year ended 31 December 2006, as restated					
Opening net book amount	2,597,921	152,828	129,835	5,210	2,885,794
Transfer from construction in progress (Note 7)	825,739	24,098	49,962	—	899,799
Additions	—	454	2,500	1,425	4,379
Disposals	(40,256)	—	(97)	(121)	(40,474)
Depreciation	(83,100)	(7,923)	(22,165)	(1,655)	(114,843)
Closing net book amount	3,300,304	169,457	160,035	4,859	3,634,655
At 31 December 2006, as restated					
Cost	3,624,708	217,049	274,507	14,932	4,131,196
Accumulated depreciation	(324,404)	(47,592)	(114,472)	(10,073)	(496,541)
Net book amount	3,300,304	169,457	160,035	4,859	3,634,655
Year ended 31 December 2007					
Opening net book amount, as restated	**3,300,304**	**169,457**	**160,035**	**4,859**	**3,634,655**
Transfer from construction in progress (Note 7)	**54,350**	**8,207**	**27,662**	**—**	**90,219**
Acquisition of a subsidiary (Note 33)	**3,876,055**	**286**	**5,920**	**1,445**	**3,883,706**
Additions	**—**	**200**	**3,710**	**3,935**	**7,845**
Disposals	**(25,531)**	**—**	**(2,253)**	**(9)**	**(27,793)**
Depreciation	**(139,660)**	**(8,560)**	**(28,097)**	**(1,997)**	**(178,314)**
Closing net book amount	**7,065,518**	**169,590**	**166,977**	**8,233**	**7,410,318**
At 31 December 2007					
Cost	**7,529,583**	**225,742**	**306,354**	**20,224**	**8,081,903**
Accumulated depreciation	**(464,065)**	**(56,152)**	**(139,377)**	**(11,991)**	**(671,585)**
Net book amount	**7,065,518**	**169,590**	**166,977**	**8,233**	**7,410,318**

6 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 2006					
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 7)	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
Year ended 31 December 2007					
Opening net book amount	**2,655,873**	**146,445**	**136,642**	**2,652**	**2,941,612**
Transfer from construction in progress (Note 7)	**54,350**	**8,207**	**27,662**	**—**	**90,219**
Additions	**—**	**—**	**1,337**	**3,495**	**4,832**
Disposals	**(25,531)**	**—**	**(1,564)**	**—**	**(27,095)**
Depreciation	**(72,945)**	**(6,354)**	**(24,163)**	**(1,572)**	**(105,034)**
Closing net book amount	**2,611,747**	**148,298**	**139,914**	**4,575**	**2,904,534**
At 31 December 2007					
Cost	**2,850,767**	**181,425**	**242,269**	**8,937**	**3,283,398**
Accumulated depreciation	**(239,020)**	**(33,127)**	**(102,355)**	**(4,362)**	**(378,864)**
Net book amount	**2,611,747**	**148,298**	**139,914**	**4,575**	**2,904,534**

6 Property, plant and equipment (continued)

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

(b) The Group have been granted by the relevant local government authorities the rights to operate the respective toll roads for a period of 19 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 and collectible 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 not renewable and the Group does not have any termination options.

7 Construction in progress

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
At 1 January	**857,525**	691,201	**857,308**	648,089
Additions	**3,088,274**	1,108,914	**1,757,564**	1,068,350
Acquisition of a subsidiary (Note 33)	**353,074**	—	**—**	—
Transfer to property, plant and equipment (Note 6)	**(90,219)**	(899,799)	**(90,219)**	(858,884)
Transfer to non-current assets classified as held for sale (Note 16(a))	**—**	(42,544)	**—**	—
Other transfers	**(222)**	(247)	**(146)**	(247)
At 31 December	**4,208,432**	857,525	**2,524,507**	857,308

Construction in progress at 31 December 2007 mainly represents construction costs incurred for toll roads of the Group not yet completed.

8 Land use rights

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	**215,526**	226,869	**63,790**	67,146

	Group		Company	
	2007	2006	**2007**	**2006**
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Opening balance	**226,869**	238,212	**67,146**	70,504
Amortisation of prepaid operating lease payments	**(11,343)**	(11,343)	**(3,356)**	(3,358)
Closing balance	**215,526**	226,869	**63,790**	67,146

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

9 Investments in subsidiaries

		Company	
	Note	**2007**	2006
		RMB'000	RMB'000
Unlisted investments, at cost		**3,518,193**	1,642,431
Provision for impairment		**—**	(4,142)
		3,518,193	1,638,289
Advance to a subsidiary	(b)	**—**	11,674
		3,518,193	1,649,963

9 Investments in subsidiaries (continued)

(a) The following is a list of the principal subsidiaries of the Company at 31 December 2007:

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	Interest held Indirect
Shenzhen Meiguan Expressway Company Limited ("Meiguan Company")	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%
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah")	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%
Qinglian Company (Note 33)	PRC, limited liability company	Development, operation and management of highways	RMB1,200,000,000	51.37%	25%

(b) The balance at 31 December 2006 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 was fully repaid during the year. The subsequent appropriation made by Meiguan Company out of the funds to be generated from the operations of its toll road is accounted for by the Company as redemption of its investment cost in Meiguan Company.

10 Loan to a subsidiary

The balance represent a loan granted to Qinglian Company, which is unsecured, bearing interest at 5.5% per annum and is repayable out of the funds to be generated from the operations of the Qinglian Expressway (upon completion of constructon) of Qinglian Company. The loan and interest should be fully repaid by 2022. The fair value of the loan to Qinglian Company at 31 December 2007 is approximately RMB790,283,000, which is determined based on expected cash flows discounted using a rate based on the borrowing rate of 5.5% per annum.

11 Investments in jointly controlled entities

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
			(Restated)		
Beginning of the year		**1,685,182**	1,833,288	**958,859**	1,105,944
Share of profit	4(c)	**203,950**	202,266	**—**	—
Dividends declared and appropriation made by jointly controlled entities		**(375,502)**	(335,745)	**(50,648)**	(104,335)
Provision for impairment	4(c)	**—**	—	**(66,750)**	(42,750)
Transfer to non-current assets classified as held for sale	16(b)	**—**	(14,627)	**—**	—
End of the year		**1,513,630**	1,685,182	**841,461**	958,859

The year end balance comprises the following:

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
			(Restated)		
Unlisted investments, at cost		**—**	—	**424,738**	436,477
Share of net assets other than goodwill		**934,181**	1,066,824	**—**	—
Goodwill on acquisition		**1,636**	1,636	**—**	—
Provision for impairment	(b)	**—**	—	**(161,090)**	(94,340)
		935,817	1,068,460	**263,648**	342,137
Advances to jointly controlled entities	(c)	**577,813**	616,722	**577,813**	616,722
		1,513,630	1,685,182	**841,461**	958,859

11 Investments in jointly controlled entities (continued)

(a) The following is a list of all jointly controlled entities of the Company at 31 December 2007:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held Direct	Indirect
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao Eastern Company")	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of an expressway in the PRC	55%	—
Shenzhen Qinglong Company Limited ("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%	—
Jade Emperor Limited ("JEL")	Cayman Islands, limited liability company	Investment holding in Cayman Islands	—	*55%
Hubei Magerk Expressway Management Company Limited ("Magerk Company")	PRC, wholly foreign owned enterprise	Operation and management of an expressway in the PRC	—	**55%

* The interest in JEL is held indirectly through Mei Wah, a subsidiary of the Company.

** 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 against the Company's investment in Shenchang Company arising from impairment of the underlying toll road assets operated by Shenchang Company. During the year ended 31 December 2007, management reassessed the recoverable amount of the toll road of Shenchang Company and as a result, an additional impairment provision of RMB66,750,000 was required to be recognised for the Company's investment in Shenchang Company. The details of such impairment assessment on the toll road assets of Shenchang Company are disclosed in Note 4(c).

(c) Amounts represent advances made to Airport-Heao Eastern Company of RMB310,523,000 (2006: RMB341,573,000) and Shenchang Company of RMB267,290,000 (2006: RMB275,149,000) respectively. The advances were made by the Company as part of its investment commitments in these jointly controlled entities as stipulated in the provisions under the relevant 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 to be generated from the operations of the respective toll road projects of Airport-Heao Eastern Company and Shenchang Company. The directors consider that there was no recoverability problem associated with these amounts as at 31 December 2007. The advance to Shenchang Company had also been taken into account in the impairment assessment of the Company's investment in Shenchang Company as mentioned in details in Note 4(c).

11 Investments in jointly controlled entities (continued)

(d) The Group's share of the results and aggregated assets (including goodwill) and liabilities of its jointly controlled entities are as follows:

	Airport-Heao Eastern Company		Qinglong Company		Shenchang Company		JEL (consolidated with Magerk Company)		Hubei Yungang Transportation Development Company Limited ("Yungang Company") (Note 16(b))		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets	**555,765**	580,872	**388,208**	404,023	**201,780**	274,263	**733,126**	782,209	**—**	—	**1,878,879**	2,041,367
Current assets	**40,014**	29,863	**16,518**	18,007	**2,601**	3,243	**20,376**	9,294	**—**	—	**79,509**	60,407
Total assets	**595,779**	610,735	**404,726**	422,030	**204,381**	277,506	**753,502**	791,503	**—**	—	**1,958,388**	2,101,774
Non-current liabilities	**19,636**	13,449	**258,800**	262,536	**40**	—	**125,642**	83,452	**—**	—	**404,118**	359,437
Current liabilities	**23,015**	13,724	**5,589**	6,486	**3,880**	3,991	**8,156**	32,954	**—**	—	**40,640**	57,155
Total liabilities	**42,651**	27,173	**264,389**	269,022	**3,920**	3,991	**133,798**	116,406	**—**	—	**444,758**	416,592
Revenue	**231,347**	181,575	**141,556**	99,685	**12,350**	10,075	**211,184**	178,154	**—**	3,370	**596,437**	472,859
Cost and expenses	**(85,591)**	(63,333)	**(56,199)**	(47,714)	**(77,459)**	(40,997)	**(173,238)**	(116,265)	**—**	(2,284)	**(392,487)**	(270,593)
Profit/(loss) after income tax	**145,756**	118,242	**85,357**	51,971	**(65,109)**	(30,922)	**37,946**	61,889	**—**	1,086	**203,950**	202,266

Other than the commitment in respect of returning the underlying toll roads assets to the respective local government authorities upon expiration of the operating periods under the grants, as mentioned in Note 6(b), there were no other material commitments and contingent liabilities arising from the Group's investments in these jointly controlled entities, and there were no material outstanding commitments and contingent liabilities in the jointly controlled entities as at 31 December 2007.

12 Investments in associates

	Note	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Beginning of the year		**3,006,665**	2,966,903	**2,691,624**	2,601,624
Increase in investments in associates		**11,899**	90,000	**—**	90,000
Transfer to investment in a subsidiary as a result of business combination	33	**(1,839,200)**	—	**(1,449,200)**	—
Dividends declared and appropriation made by associates		**(24,050)**	(33,290)	**—**	—
Share of losses		**(13,486)**	(16,948)	**—**	—
End of the year		**1,141,828**	3,006,665	**1,242,424**	2,691,624

The year end balance comprises the following:

	Note	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Unlisted investments, at cost		**—**	—	**1,242,424**	2,562,134
Share of net assets other than goodwill		**1,066,528**	2,801,875	**—**	—
Goodwill on acquisition	(c)	**75,300**	75,300	**—**	—
		1,141,828	2,877,175	**1,242,424**	2,562,134
Advance to an associate	(d)	**—**	129,490	**—**	129,490
		1,141,828	3,006,665	**1,242,424**	2,691,624

12 Investments in associates (continued)

(a) The Group's share of the results and aggregated assets (including goodwill) and liabilities of its associates, all of which were established and are operating in the PRC, are as follows:

Name	Nature of legal entity and paid-in capital	Principal activities	Assets		Liabilities		Revenue		Profit/(loss)		*Interest held	
			2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000	**2007 RMB'000**	2006 RMB'000	**2007 RMB'000**	2006 RMB'000	**2007 %**	2006 %
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	**763,527**	781,150	**505,661**	516,658	**53,092**	35,501	**(6,627)**	(12,928)	**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	**714,071**	580,779	**564,745**	408,473	**16,490**	223	**(22,979)**	(2,695)	**25%**	25%
Shenzhen Huayu Expressway Investment Company Limited	Limited liability company, RMB150,000,000	Development, investment, operation and management of expressway	**232,775**	238,895	**168,165**	177,546	**26,670**	23,750	**3,262**	3,853	**40%**	40%
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	Limited liability company, RMB7,000,000	Project management consulting, construction consulting and sales of construction materials	**13,239**	10,101	**7,957**	5,790	**13,672**	7,052	**971**	560	**30%**	30%
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	Limited liability company, RMB1,080,000,000	Development, operation and management of bridges	**868,674**	844,141	**619,032**	590,460	**57,420**	43,116	**(4,040)**	(8,154)	**25%**	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Limited liability company, RMB200,000,000	Development, operation and management of expressway	**637,829**	594,728	**392,300**	343,198	**83,317**	65,574	**18,049**	11,180	**25%**	25%
Yunfu Guangyun Expressway Company	Limited liability company, RMB10,000,000	Development, operation and management of expressway	**435,032**	444,909	**265,459**	273,214	**29,114**	24,533	**(2,122)**	(1,608)	**30%**	30%
Qinglian Company	Sino-foreign cooperative enterprise, RMB1,200,000,000	Development, operation and management of highways	**—**	2,450,276	**—**	752,465	**—**	70,279	**—**	(7,156)	*	56.28%
			3,665,147	5,944,979	**2,523,319**	3,067,804	**279,775**	270,028	**(13,486)**	(16,948)		

12 Investments in associates (continued)

* Except for Qinglian Company (Note 33), the Company directly holds interests in all its other associates.

** There were no material contingent liabilities arising form the Group's interests in associates, and there were no material contingent liabilities and commitments in the associates as at 31 December 2007.

(b) According to the provisions of the investment agreements of Jianzhong Company and GZ W2 Company, the Company is required to make further capital contributions amounting to RMB8,750,000 and RMB75,000,000 respectively to these two associates based on the funding requirements determined according to the progress of construction of the toll road projects undertaken by these two associates.

(c) The balance represents the 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. After the assessment made by the directors, there was no impairment loss to be recognised as at 31 December 2007.

(d) The balance at 31 December 2006 represents advances to Qinglian Company assumed by the Company upon the acquisition of 56.28% equity interest of Qinglian Company made in 2005. The balance has been transferred to the Company's investment in Qinglian Company as its subsidiary after the completion of the Company's acquisition of 20.09% additional equity interest in Qinglian Company during the year (Note 33).

13 Trade and other receivables

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
			(Restated)		
Trade receivables	(a)	**152,560**	61,505	**145,481**	58,285
Amount due from a jointly controlled entity	(c)	**—**	148	**—**	148
Other receivables	(d)	**54,213**	29,777	**53,540**	33,515
Prepayments		**17,113**	3,853	**7,094**	2,971
		223,886	95,283	**206,115**	94,919

(a) Trade receivables mainly represent amounts due from the Shenzhen Communications Bureau of RMB131,337,000 (2006: RMB47,032,000) for management services income recognised.

The Company was engaged by the local government authorities to manage the construction of three main toll road construction projects, namely the Nanping Project, the western section of Hengping Highway ("Hengping Project") and the Wutong Mountain Project. In return, the Company is entitled to management services income which is determined based on the Savings achieved in managing these construction management projects according to the provisions of the relevant contracts.

In 2006, the construction of Hengping Project had been suspended in accordance with a notice issued by the government authorities due to a change in the toll road network plan of the government. In 2007, the relevant government authorities issued another notice advising the Company that construction of certain sections of the Hengping Project could be resumed but no actual construction work had been resumed/undertaken as at 31 December 2007. Accordingly, no service income had been recognised by the Group during the year. After consultation made with the legal counsel, the directors consider that it is not likely for the Company to assume any management liabilities arising from the project delay nor it is required to incur substantial losses.

The construction management services income of the Nanping Project and Wutong Mountain Project recognised during the year, using the percentage of completion method in accordance with the accounting policies of the Group, amounted to approximately RMB89,017,000 (2006: RMB29,203,000) and RMB13,233,000 (2006: RMB2,265,000), respectively. Details are disclosed in Note 4(b).

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 outflow of resources arising from the cost overruns of these projects is considered remote by the directors of the Company taking into account the actual progress and status of these projects.

13 Trade and other receivables (continued)

(b) Trade receivables are neither past due nor impaired at 31 December 2007 and 2006 and are analysed as below:

	2007 **RMB'000**	2006 RMB'000
Unbilled	**131,337**	47,032
Billed	**21,223**	14,473
	152,560	61,505

Credit quality of trade receivables can be assessed by reference to historical information about counterparty default rates:

	2007 **RMB'000**	2006 RMB'000
Counterparty		
– Local government authorities	**134,337**	47,032
– Existing customers with no defaults in the past	**17,776**	13,973
– New customers	**447**	500
	152,560	61,505

At 31 December 2007 and 2006, the ageing analysis of trade receivables was as follows:

	Group		**Company**	
	2007 **RMB'000**	2006 RMB'000 (Restated)	**2007** **RMB'000**	2006 RMB'000
Within 1 year	**121,140**	45,695	**114,088**	42,475
Over 1 year	**31,420**	15,810	**31,393**	15,810
	152,560	61,505	**145,481**	58,285

The ageing analysis is presented based on the time frame from the recognition date of the receivables to the balance sheet date.

(c) The balance at 31 December 2006 represented the amount due from Airport-Heao Eastern Company, a jointly controlled entity of the Company, 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 Company 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 Company was RMB117,721,000 (2006: RMB109,432,000), while the aggregate toll income collected by Airport-Heao Eastern Company on behalf of the Company and Meiguan Company was RMB139,137,000 (2006: RMB112,784,000), respectively. All toll income collected is paid back to the counterpary within three days after collection without charging any handling fees.

(d) Other receivables at 31 December 2007 included an amount of RMB30,041,000 (2006: Nil) due from Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company"), a subsidiary indirectly held by Shenzhen International Holdings Limited ("Shenzhen International"), for the projects construction payments made by the Company on behalf of this entity. Shenzhen International indirectly owns 31.153% interest of the Company (Note 36). The remaining balances of other receivables are neither part due nor impaired and are due from counterparties with no default in the past.

14 Restricted cash

	Group and Company	
	2007	2006
	RMB'000	RMB'000
Project funds retained for construction management contracts	**16,032**	6,872

This represents the unutilised balance of project funds received from government authorities for the use of the 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.

15 Cash and cash equivalents

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Cash at bank and in hand	**461,469**	298,090	**307,783**	228,890
Short-term bank deposits	**5,521**	30,404	**—**	—
	466,990	328,494	**307,783**	228,890

The effective interest rate on short-term bank deposits was 3.03% (2006: 4.1%) per annum. The deposits have a maturity of 7 days (2006: 7 days).

16 Non-current assets classified as held for sale

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
Construction in progress	(a)	**—**	42,544	**—**	—
Investment in a jointly controlled entity	(b)	**—**	10,485	**—**	—
Investment in a subsidiary	(a)	**—**	—	**—**	40,000
		—	53,029	**—**	40,000

16 Non-current assets classified as held for sale (continued)

(a) In 2005, the construction of a ropeway project undertaken by Shenzhen Wongtongling Ropeway Company Limited ("Ropeway Company"), a subsidiary of the Company, was put into a halt following the instruction of the local government authorities. The 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 for realisation in 2006. Accordingly, the carrying amount of the related assets (mainly construction in progress) had been presented as non-current assets classified as held for sale and was stated at the lower of the carrying amount and the fair value less costs to sell at RMB42,544,000. In January 2007, the Company received a compensation of approximately RMB47,240,000 from the government authorities and a gain of approximately RMB1,587,000 was recognised in current year after settlements of the liabilities of Ropeway Company.

(b) In October 2006, the Group's 42% equity interest in Yungang Company, initially a jointly control entity of the Group, was approved to be disposed. In January 2007, the Group entered into an agreement with a third party for the disposal of its entire interest in Yungang Company at a cash consideration of RMB10,800,000. Accordingly, the investment in Yungang Company at 31 December 2006 was presented as non-current assets classified as held for sale and was stated at the lower of carrying amount and fair value less costs to sell at RMB10,485,000. The transaction was completed during the year and a gain of approximately RMB315,000 was recognised in 2007.

17 Share capital

	2007 **RMB'000**	2006 RMB'000
Registered, issued and fully paid 2,180,700,000 shares of RMB1 each		
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")	**217,800**	217,800
– Foreign invested shares, listed in Hong Kong ("H shares")	**747,500**	747,500
	965,300	965,300
Total	**2,180,700**	2,180,700

After implementation of the Shareholding Structure Reallocating Scheme in February 2006, the formerly non-liquid shares of the Company were converted into shares with liquidity but subject to certain restrictions in their sales. These shares cannot be traded until 2 March 2009 according to the relevant restriction provisions.

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 and the currency used for distribution of dividends, all shares rank pari passu against each other.

18 Other reserves

Group	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2006, as previously stated	2,060,009	453,292	409,085	453,391	1,153	—	3,376,930
Adjustment for changes in accounting policies (Note 2.2)	—	(85,284)	(41,077)	—	—	—	(126,361)
Balance at 1 January 2006, as restated	2,060,009	368,008	368,008	453,391	1,153	—	3,250,569
Reclassification of reserve fund, as restated	—	368,008	(368,008)	—	—	—	—
Acquisition of minority interest in a subsidiary	—	—	—	—	—	(41,236)	(41,236)
Transfer from retained earnings	—	55,924	—	—	—	—	55,924
Currency translation differences	—	—	—	—	(1,153)	—	(1,153)
Balance at 31 December 2006, as restated	2,060,009	791,940	—	453,391	—	(41,236)	3,264,104
Equity component of convertible bonds, net of transaction costs (Note 19(c))	—	—	—	—	—	327,914	327,914
Deferred tax arising on initially stating the convertible bonds at fair value	—	—	—	—	—	(73,195)	(73,195)
Transfer from retained earnings	—	68,064	—	—	—	—	68,064
Balance at 31 December 2007	**2,060,009**	**860,004**	**—**	**453,391**	**—**	**213,483**	**3,586,887**
Company							
Balance at 1 January 2006	2,060,009	368,008	368,008	453,391	—	—	3,249,416
Reclassification of reserve fund	—	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
Equity component of convertible bonds, net of transaction costs (Note 19(c))	—	—	—	—	—	327,914	327,914
Deferred tax arising on initially stating the convertible bonds at fair value	—	—	—	—	—	(73,195)	(73,195)
Transfer from retained earnings	—	68,064	—	—	—	—	68,064
Balance at 31 December 2007	**2,060,009**	**860,004**	**—**	**453,391**	**—**	**254,719**	**3,628,123**

18 Other reserves (continued)

(a) Pursuant to 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:

— make up any accumulated losses;

— 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;

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

— 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 CAS.

(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.

(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 CAS as stated in the PRC statutory financial statements and the accumulated distributable profits adjusted based on HKFRS. The profit attributable to shareholders at 31 December 2007 amounted to RMB1,279,143,000.

19 Borrowings

		Group		Company	
	Note	**2007**	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
			(Restated)		
Non-current					
Bank borrowings					
– Secured	(a)	**1,322,671**	162,761	**—**	—
– Unsecured		**1,985,000**	675,000	**1,985,000**	675,000
		3,307,671	837,761	**1,985,000**	675,000
Other borrowings – guaranteed	(b)	**16,864**	26,169	**16,864**	26,169
Convertible bonds	(c)	**1,143,129**	—	**1,143,129**	—
Corporate bonds	(d)	**790,283**	—	**790,283**	—
		5,257,947	863,930	**3,935,276**	701,169
Less: Current portion of long-term borrowings – guaranteed	(b)	**(5,984)**	(8,141)	**(5,984)**	(8,141)
		5,251,963	855,789	**3,929,292**	693,028
Current					
Bank borrowings – Unsecured		**385,000**	1,195,000	**385,000**	1,195,000
Current portion of long-term borrowings – guaranteed	(b)	**5,984**	8,141	**5,984**	8,141
		390,984	1,203,141	**390,984**	1,203,141
Total borrowings		**5,642,947**	2,058,930	**4,320,276**	1,896,169

(a) For the secured bank borrowings, RMB95,511,000 (HKD102,000,000) is secured by a pledge of the 55% equity interest of JEL held by Mei Wah and RMB1,227,160,000 is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Qinglian Company, a subsidiary of the Company.

(b) Other borrowings totaling USD2,308,673 (equivalent to RMB16,864,000) were extended by the Spanish Government through the China Construction Bank Corporation. The loans comprise two portions, USD1,563,940 bearing interest at 1.8% per annum and another portion of USD744,733 which is interest-bearing at 7.17% per annum. The borrowings are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan"), a substantial shareholder of the Company.

19 Borrowings (continued)

(c) The Company issued 15,000,000 1% convertible bonds with attached warrants subscription rights at a par value of RMB1,500,000,000 on 9 October 2007. The bonds will mature 6 years from the issue date at their nominal value of RMB1,500,000,000. The holders of the bonds have warrants subscription rights to subscribe newly issued A shares of the Company at the rate of 7.2 shares per bond. The values of the liability component and the equity conversion component embedded in the bond offer were determined at the date of issuance of the bonds.

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for a non-convertible bond in the market with equivalent terms. The residual amount, representing the carrying value of the bonds after deduction of the fair value of the liability component, represents fair value of the equity conversion option, is included in shareholders' equity under other reserves (Note 18), net of the attributable transaction costs. The full amount of principal and interest of the bonds is guaranteed by the Shenzhen Branch of the Agricultural Bank of China.

The convertible bonds recognised in the balance sheet is calculated as follow:

	2007 **RMB'000**
Face value of convertible bonds issued on 9 October 2007	**1,500,000**
Fair value of liability component	**(1,162,802)**
Equity component	**337,198**
Fair value of liability component on 9 October 2007	**1,162,802**
Transaction costs attributable to liability component	**(32,018)**
Liability component on initial recognition at 9 October 2007	**1,130,784**
Interest expense	**12,345**
Liability component at 31 December 2007	**1,143,129**

(d) The Company also issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007. Interest is paid annually and the principal is repayable in full upon maturity. The full amount of principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

19 Borrowings (continued)

(e) The effective interest rates at the balance sheet date are as follows:

	2007	2006
Unsecure bank borrowings		
– non-current	**5.67% - 6.723%**	5.508% - 5.67%
– current	**5.265% - 5.832%**	4.86% - 5.022%
Secured bank borrowings - non-current	**4.64% - 6.48%**	4.99% - 6.12%
Convertible bonds	**5.5%**	—
Corporate bonds	**5.5%**	—

(f) At 31 December 2007, the Group's borrowings are repayable as follows:

	Bank borrowings		**Other borrowings and bonds**	
Group	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Within 1 year	**385,000**	1,195,000	**5,984**	8,141
Between 1 and 2 years	**420,000**	—	**5,984**	6,397
Between 2 and 5 years	**1,410,911**	507,761	**4,896**	11,631
Wholly repayable within 5 years	**2,215,911**	1,702,761	**16,864**	26,169
Over 5 years	**1,476,760**	330,000	**1,933,412**	—
	3,692,671	2,032,761	**1,950,276**	26,169

	Bank borrowings		**Other borrowings and bonds**	
Company	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**385,000**	1,195,000	**5,984**	8,141
Between 1 and 2 years	**420,000**	—	**5,984**	6,397
Between 2 and 5 years	**1,030,000**	345,000	**4,896**	11,631
Wholly repayable within 5 years	**1,835,000**	1,540,000	**16,864**	26,169
Over 5 years	**535,000**	330,000	**1,933,412**	—
	2,370,000	1,870,000	**1,950,276**	26,169

19 Borrowings (continued)

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

	Carrying amounts		Fair values	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Bank borrowings	**3,307,671**	837,761	**3,142,586**	794,976
Other borrowings	**10,880**	18,028	**9,764**	16,594
Convertible bonds	**1,143,129**	—	**1,143,129**	—
Corporate bonds	**790,283**	—	**790,283**	—
	5,251,963	855,789	**5,085,762**	811,570

The fair values of bank borrowings and other borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 7.56% to 7.83% (2006: 6.30% to 6.84%) per annum.

The fair values of the convertible bonds and corporate bonds are calculated using cash flows discounted at a rate based on a market interest rate for an equivalent non-convertible bond at 5.50% per annum and that of a comparable corporate bond at 5.50% per annum respectively.

The fair values of current borrowings approximate their respective carrying amounts, and the effect of discounting is not significant.

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
RMB	**5,530,572**	1,870,000	**4,303,412**	1,870,000
USD	**16,864**	26,169	**16,864**	26,169
HKD	**95,511**	162,761	**—**	—
	5,642,947	2,058,930	**4,320,276**	1,896,169

19 Borrowings (continued)

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

	2007 RMB'000	2006 RMB'000 (Restated)
Floating rate		
– Expiring within one year	**2,972,000**	2,837,000
– Expiring beyond one year	**3,123,000**	1,245,000
	6,095,000	4,082,000
Fixed rate		
– Expiring beyond one year	**2,205,000**	770,000
	8,300,000	4,852,000

20 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	
	2007 RMB'000	2006 RMB'000 (Restated)	2007 RMB'000	2006 RMB'000
Deferred tax assets				
– to be recovered within 12 months	**—**	(1,878)	**—**	—
Deferred tax liabilities				
– to be settled after more than 12 months	**464,596**	25,687	**103,014**	22,111
– to be settled within 12 months	**9,639**	1,180	**9,525**	500
	474,235	26,867	**112,539**	22,611
Deferred tax liabilities – net	**474,235**	24,989	**112,539**	22,611

20 Deferred income tax (continued)

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

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Beginning of the year	**24,989**	49,830	**22,611**	32,218
Acquisition of a subsidiary (Note 33)	**357,997**	—	**—**	—
Deferred tax liability arising on initially stating convertible bonds at fair value charged directly to equity (Note 18)	**73,195**	—	**73,195**	—
Adjustment to the enacted tax rate (Note (a))	**16,875**	—	**15,455**	—
Amounts reversed (Note (b))	**—**	(24,243)	**—**	(9,104)
Recognised in the income statement	**1,179**	(598)	**1,278**	(503)
End of the year	**474,235**	24,989	**112,539**	22,611

20 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 RMB'000	Provision for impairment losses of other assets RMB'000	Total RMB'000	Depreciation of property, plant and equipment RMB'000	Intangible assets RMB'000	Toll road assets RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2006, as previously stated	24,656	1,878	26,534	86,049	88,751	—	—	174,800
Adjustment arising from change in accounting policy (Note 2.2)	(24,656)	—	(24,656)	(34,341)	(88,751)	—	—	(123,092)
At 1 January 2006, as restated	—	1,878	1,878	51,708	—	—	—	51,708
Amounts reversed (Note (b))				(24,243)				(24,243)
Recognised in the income statement	—	—	—	(598)	—	—	—	(598)
At 31 December 2006, as restated	—	1,878	1,878	26,867	—	—	—	26,867
At 1 January 2007, as previously stated	32,656	1,878	34,534	43,651	83,453	—	—	127,104
Adjustment arising from change in accounting policy (Note 2.2)	(32,656)	—	(32,656)	(16,784)	(83,453)	—	—	(100,237)
At 1 January 2007, as restated	—	1,878	1,878	26,867	—	—	—	26,867
Acquisition of a subsidiary (Note 33)	—	—	—	—	—	357,997	—	357,997
Recognised in the income statement	—	(1,878)	(1,878)	(699)	—	—	—	(699)
Adjustment to the enacted tax rate (Note (a))	—	—	—	16,875	—	—	—	16,875
Deferred tax on convertible bonds	—	—	—	—	—	—	73,195	73,195
At 31 December 2007	**—**	**—**	**—**	**43,043**	**—**	**357,997**	**73,195**	**474,235**

20 Deferred income tax (continued)

Company	Deferred tax assets	Deferred tax liabilities
	Provision for impairment losses of assets	Depreciation of property, plant and equipment
	RMB'000	RMB'000
At 1 January 2006	1,878	34,096
Amounts reversed (Note (b))	—	(9,104)
Recognised in the income statement	—	(503)
At 31 December 2006	1,878	24,489
Deferred tax on convertible bonds	—	73,195
Adjustment to the enacted tax rate (Note (a))	—	15,455
Recognised in the income statement	(1,878)	(600)
At 31 December 2007	**—**	**112,539**

(a) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). Effective from 1 January 2008, all enterprises are subject to a standard PRC enterprise income tax rate of 25%, except for particular provisions and preferential policies. According to the new CIT Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012. The rates are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

Due to the fact that deferred tax assets and deferred tax liabilities are measured at the applicable tax rates in the the period when the temporary differences are realised or settled, the change in the applicable tax rate will affect the determination of the carrying amounts of the respective deferred tax assets and liabilities of the Group. Based on an assessment made by the Group with reference to the new CIT Law, the carrying amount of deferred tax liabilities of the Group was increased by RMB16,875,000 and has been charged to the income statement for the year.

(b) 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. Entities within the Group had received formal confirmation replies from relevant local tax authorities that provision of depreciation for their toll road assets under the units-of-usage basis is allowed for tax reporting purposes effective from 1 January 2006. Accordingly, the Group re-assessed the carrying amounts of the deferred tax provision brought forward from 31 December 2005 and reversed deferred tax liabilities of RMB24,243,000, which was reflected as credit to income tax expenses for 2006.

21 Government grants

	Note	Group and Company 2007 RMB'000	2006 RMB'000
Deferred income	(a)	**278,263**	296,461
Advances from government	(b)	**59,000**	54,000
		337,263	350,461

(a) Deferred income

	Group and Company 2007 RMB'000	2006 RMB'000
Beginning of the year	**296,461**	291,408
Addition	**—**	26,000
Government subsidy income recognised for the year (Note 23)	**(18,198)**	(20,947)
End of the year	**278,263**	296,461

(b) The balance comprised of an advance of RMB54,000,000 (2006: RMB54,000,000) from the relevant government authorities received in previous year as an inducement of the Company to participate in the Yanba toll road project, and an additional advance of RMB5,000,000 received in current year as a government grant for the construction of Yanba toll road. For the advance of RMB54,000,000, the relevant governments authorities have not stipulated clear provisions and regulations on the repayment obligations of the fund but since 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. For the advance of RMB5,000,000, it is specified as government grant to finance the construction of Yanba toll road according to a notice issued by the government authorities, it will be transferred to deferred income and is amortised to the income statement upon completion of the toll road construction.

22 Other payables

	Note	Group 2007 RMB'000	Group 2006 RMB'000 (Restated)	Company 2007 RMB'000	Company 2006 RMB'000
Consideration payable for acquisition of interests in an associate and a jointly controlled entity	(a)	**4,710**	24,594	**—**	—
Payables for construction in progress and quality deposits	(b)	**237,509**	173,260	**173,738**	173,143
Guaranteed deposits for construction projects contracts	(b)	**187,118**	179,568	**187,118**	179,568
Project funds retained for construction management contracts	14	**16,032**	6,872	**16,032**	6,872
Notes payable	(b)	**94,323**	359,242	**20,993**	359,242
Advance from an associate	(c)	**46,500**	20,250	**46,500**	20,250
Advance from a jointly controlled entity	(c)	**21,300**	—	**—**	—
Interest payable		**33,922**	2,275	**31,422**	2,008
Salary payable		**43,454**	20,767	**30,257**	19,341
Others		**70,027**	48,416	**2,803**	39,663
		754,895	835,244	**508,863**	800,087

(a) The balance at 31 December 2006 included the remaining balance of consideration payable in relation to the acquisitions of equity interests of both Qinlian Company and JEL made in 2005 amounting to RMB4,857,000 and RMB19,737,000, respectively. In December 2007, the Company received a notice from the People's Procuratorate of Hubei. According to the notice, the Company was required to pay the remaining balance of acquisition consideration for JEL amounting to approximately HKD19,645,000 to the authority. The Company had made the payment to the authority (settled at RMB18,459,000) during the year and the remaining balance at 31 December 2007 represents the portion for acquisition of Qinglian Company of RMB4,710,000 (2006: RMB4,857,000).

(b) These represent liabilities and quality deposits arising from the progress project payments payable for the construction of certain toll roads projects of the Group of approximately RMB237,509,000 (2006: RMB173,260,000); deposits received from the contractors as guarantees for bidding and their performance commitment for the construction of these projects amounting to RMB187,118,000 (2006: RMB179,568,000) and bills payable of RMB94,323,000 (2006: RMB359,242,000) for projects construction, respectively. Bills payable are bearing interest at 4.56% to 6.48% (2006: 2.3% to 3.74%) per annum and are required to be settled within one year.

(c) These represent the advances from Nanjing Third Bridge Company, an associate of the Company, and Magerk Company, a jointly controlled entity of the Company, of RMB46,500,000 (2006: RMB20,250,000) and RMB21,300,000 (2006: Nil) respectively.

23 Other income

	Note	**2007**	2006
		RMB'000	RMB'000
			(Restated)
Government subsidy income	21(a)	**18,198**	20,947
Subsidies from local government		**11,103**	10,240
Interest income from bank deposits		**9,085**	5,689
Interest income from a loan extended to a jointly controlled entity		**—**	5,027
		38,386	41,903

24 Other gains/(losses) – net

	Note	**2007**	2006
		RMB'000	RMB'000
			(Restated)
Excess of fair value of net identifiable assets acquired in a business combination over the cost of acquisition	33	**127,206**	—
Adjustment on fair value of the equity interest previously held in the acquiree at acquisition date	33	**(127,206)**	—
Gain on disposals of non-current assets classified as held for sale	16	**1,902**	—
Change in fair value of derivative instrument		**614**	—
Loss recognised for measurement of non-current assets classified as held for sale		**—**	(4,142)
Others		**(2,167)**	(143)
		349	(4,285)

25 Expenses by nature

	Note	**2007** **RMB'000**	2006 RMB'000 (Restated)
Business tax and surcharges	(a)	**37,427**	24,685
Employee benefit expenses	26	**80,733**	57,603
Road maintenance expenses		**49,611**	11,501
Depreciation and amoritsation		**189,657**	126,186
International auditor's remuneration			
– Annual audit		**1,950**	1,550
– Other audit/review services		**—**	100
Statutory auditor's remuneration			
– Annual audit		**990**	650
– Other audit/review services		**—**	1,150
Rental expenses		**1,678**	1,296
Agency fee		**3,989**	1,567
Utility expenses		**11,137**	7,914
Management fee of toll road network		**9,807**	7,376
Material consumption		**4,017**	3,846
Transportation expenses		**1,676**	1,053
Other expenses		**33,653**	33,520
Total cost of services and administrative expenses		**426,325**	279,997

(a) The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB30,135,000 (2006: RMB22,434,000); service income derived from the provision of construction management services income at RMB3,190,000 (2006: RMB982,000); and income arising from the provision of other services at RMB4,102,000 (2006: RMB1,269,000).

Toll income of the Group is subject to the following taxes and surcharges:

– PRC business tax at 3% or 5% of toll income;

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

– Education supplementary fee at 3% of the PRC business tax.

26 Employee benefit expenses

	Note	2007 RMB'000	2006 RMB'000 (Restated)
Wages, salaries and bonus		**64,594**	43,882
Pension costs – defined contribution plans	(a)	**4,085**	3,382
Other staff welfare benefits		**12,054**	10,339
		80,733	57,603

(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 10% to 11% (2006: 8% to 10%) 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. Contributions totalling RMB39,000 (2006: RMB38,000) were payable to the fund at 31 December 2007.

(b) Directors', supervisors' and senior management's emoluments

The remuneration of each director and supervisor for the year ended 31 December 2007 is set out below:

Name of director/supervisor	**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	—	**705**	**190**	**20**	**43**	**958**
Mr. Wu Ya De	—	**542**	**446**	**18**	**43**	**1,049**
Mr. Li Jing Qi	—	—	—	—	—	—
Mr. Wang Ji Zhong	—	—	—	**10**	—	**10**
Mr. Liu Jun	—	—	—	—	—	—
Mr. Lin Xiang Ke	—	—	—	**10**	—	**10**
Ms. Zhang Yang	—	—	—	**13**	—	**13**
Mr. Chiu Chi Cheong, Clifton	**282**	—	—	**11**	—	**293**
Mr. Li Zhi Zheng	**150**	—	—	**13**	—	**163**
Mr. Zhang Zhi Xue	**150**	—	—	**11**	—	**161**
Mr. Poon Kai Leung, James	**141**	—	—	**15**	—	**156**
Mr. Wong Kam Ling	**141**	—	—	**14**	—	**155**
Mr. Jiang Lu Ming (ii)	—	**167**	**47**	**15**	**22**	**251**
Mr. Zhang Yi Ping	—	—	—	**9**	—	**9**
Mr. Yi Ai Guo	—	**276**	**163**	**71**	**31**	**541**
Mr. Zhong Shan Qun (i)	—	—	—	**4**	—	**4**

26 Employee benefit expenses (continued)

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

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

Name of director/supervisor	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
Mr. Zhang Yi Ping	—	—	—	12	—	12
Mr. Yi Ai Guo	—	272	75	63	18	428
Mr. Zhong Shan Qun (i)	—	—	—	10	—	10

(i) Resigned in 3 September 2007.

(ii) Appointed on 3 September 2007.

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

In 2007, Mr. Yang Hai, Mr. Wu Ya De, Mr. Li Jing Qi and Mr. Liu Jun waived the allowance provided for their attendance in the board of directors' meetings at RMB13,000 (2006: RMB19,000), RMB13,000 (2006: RMB13,000), RMB8,000 (2006: Nil) and RMB7,000 (2006: Nil), respectively. No other directors and supervisors waived any emoluments during the years ended 31 December 2007 and 2006.

During the years ended 31 December 2007 and 2006, no emoluments had been paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

26 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 (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007 **RMB'000**	2006 RMB'000
Basic salaries	**1,241**	1,226
Bonuses	**922**	413
Contributions to the retirement scheme	**123**	57
Other benefits and allowances	**156**	143
	2,442	1,839

The emoluments for all the above senior management fell within the band of nil to RMB940,000 (HKD1,000,000) during the years ended 31 December 2007 and 2006.

27 Finance costs

	2007 **RMB'000**	2006 RMB'000 (Restated)
Interest on bank and other borrowings	**229,097**	63,130
Interest on short-term bonds	**—**	22,962
Interest on convertible bonds and corporate bonds	**15,756**	—
Less: interest expenses capitalised in construction in progress	**(104,527)**	(3,040)
	140,326	83,052
Other borrowing costs	**326**	7,686
Net foreign exchange gains	**(8,875)**	(9,180)
	131,777	81,558

Borrowing costs of RMB104,527,000 (2006: RMB3,040,000) 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 4.86% to 6.48% (2006: 5.05% to 5.24%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

28 Income tax expenses

	2007 RMB'000	2006 RMB'000 (Restated)
Current income tax		
– PRC enterprise income tax	**88,576**	64,740
Deferred income tax		
– Originating temporary differences	**1,179**	(598)
– Amounts reversed (Note 20(b))	**—**	(24,243)
– Adjustment to the enacted tax rate (Note 20(a))	**16,875**	—
	18,054	(24,841)
	106,630	39,899

(a) In 2007, the Company is subject to PRC enterprise income tax at a rate of 15% (2006: 15%), the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone.

(b) 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 located in the PRC of the year at a rate of tax applicable to the respective companies at 15% (2006: 15%).

(c) The applicable tax rate to Mei Wah, a subsidiary of the Company incorporated in Hong Kong, is 17.5% (2006: 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 is incorporated in the British Virgin Islands, which is not subject to profits tax.

(d) As mentioned in Note 20(a), the income tax rate applicable to the Company and its subsidiaries established in the PRC will be gradually increased to 25% in a 5-year period from 2008 to 2012.

28 Income tax expenses (continued)

(e) 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:

	2007	2006
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**774,552**	630,672
Calculated at a tax rate of 15% (2006: 15%)	**116,183**	94,601
Adjustment to the enacted tax rate	**16,875**	—
Reversal of deferred tax liabilities	**—**	(24,243)
Income not subject to tax	**(21,998)**	(2,666)
Expenses not deductible for tax purpose	**20,062**	40
Tax losses of which no deferred income tax was recognised	**4,078**	—
Share of results of jointly controlled entities and associates of which no deferred income tax was recognised	**(28,570)**	(27,833)
Income tax expenses	**106,630**	39,899

Income not subject to tax and expenses not deductible for tax purpose for the year mainly represented the income and loss recognised for acquisition of Qinglian Company respectively (Notes 33(a) and 33(b)).

29 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 RMB709,691,000 (2006: RMB522,886,000).

The movement of retained earnings of the Company during the year is as follows:

	Company	
	2007	2006
	RMB'000	RMB'000
At 1 January	**970,210**	764,932
Profit for the year	**709,691**	522,886
Transfer to reserve fund	**(68,064)**	(55,924)
Dividend relating to 2006 (2005)	**(283,491)**	(261,684)
At 31 December	**1,328,346**	970,210

30 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.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**674,347**	579,090
Number of ordinary shares in issue (thousands)	**2,180,700**	2,180,700
Basic earnings per share (RMB per share)	**0.309**	0.266

The Company had no dilutive potential shares in both 2007 and 2006 and the diluted earnings per share presented is the same with basic earnings per share.

As mentioned in Note 19(c), the Company issued convertible bonds with attached warrants subscription rights. Though the contingently issuable shares of the Company due to the exercise of the warrants subscription rights by the bonds holders may potentially dilute basic earnings per share in the future, the exercise price of those rights is higher than the prevailing share price of the Company as at 31 December 2007 and therefore, they were not included in the calculation of diluted earnings per share for the year.

31 Dividends

The dividends paid during the years ended 31 December 2007 and 2006 were RMB283,491,000 (RMB0.13 per share) and RMB261,684,000 (RMB0.12 per share), respectively. The directors recommend the payment of a final dividend of RMB0.16 per ordinary share, totalling RMB348,912,000. Such dividend is to be approved by the shareholders at the 2007 Annual General Meeting. 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 2008.

	2007 RMB'000	2006 RMB'000
Proposed final dividend of RMB0.16 (2006: RMB0.13) per ordinary share	**348,912**	283,491

32 Cash generated from operations

	2007 RMB'000	2006 RMB'000 (Restated)
Profit for the year	667,922	590,773
Adjustments for:		
– Income tax	106,630	39,899
– Depreciation	178,314	114,843
– Amortisation	11,343	11,343
– Loss recognised for measurement of non-current assets classified as held for sale	—	4,142
– Gain on disposal of non-current assets classified as held for sale	(1,902)	—
– Gain on disposal of property, plant and equipment	2,126	50
– Interest income	(9,085)	(10,716)
– Government subsidy income	(18,198)	(20,947)
– Subsidies from local government	(11,103)	(10,240)
– Interest expense	140,326	83,052
– Other borrowing costs	326	7,686
– Share of loss of associates	13,486	16,948
– Share of profit of jointly controlled entities	(203,950)	(202,266)
– Exchange gains	(8,875)	(9,180)
Changes in working capital (excluding the effects of acquisition):		
– Inventories	(333)	695
– Trade and other receivables	(91,324)	50,379
– Other payables	108,644	29,128
Cash generated from operations	884,347	695,589

33 Business combination

In June 2005, the Group acquired 56.28% equity interest in Qinglian Company. As a result of the acquisition, Qinglian Company was 31.28% directly held by the Company and with another 25% of the interest held indirectly through two wholly owned subsidiaries of the Company, Mei Wah and Maxprofit. In accordance with the articles of association of Qinglian Company, the Group nominated nine directors of Qinglian Company, representing 60% voting rights in the board of directors of Qinglian Company. However, the key operating and financial decisions of Qinglian Company have to be approved by over two thirds of the directors (66.67%). As a result, the Group could not control the key operating and financial decisions of Qinglian Company but could only exercise significant influence therein, Qinglian Company had been accounted for as an associate of the Group using the equity method of accounting.

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 Date is 1 January 2007 and the Company began to directly and indirectly hold 76.37% aggregate equity interest in Qinglian Company and could control the key operating and financial decisions of Qinglian Company. Since then, Qinglian Company is accounted for as a subsidiary of the Group.

The acquired business contributed revenue of approximately RMB93,959,000 and net loss of approximately RMB27,190,000 to the Group for the period from the Acquisition Date to 31 December 2007.

(a) The acquisition of Qinglian Company constitutes a business combination achieved in stages and it is required to account for each transaction separately using the respective acquisition costs and fair values of the share of acquired net assets as at the date of each transaction in order to determine the amount of any goodwill, if any, associated with each transaction. There was no material difference between the acquisition cost and the fair value of the share of net assets acquired relating to the acquisition of 56.28% equity interest in Qinglian Company. Details of net assets acquired in relation to the acquisition of the 20.09% additional equity interest in Qinglian Company are as follows:

	RMB'000
Purchase consideration for acquisition of 20.09% equity interest in Qinglian Company – cash paid	484,000
Fair value of net identifiable assets acquired – shown as below	(611,206)
Excess of fair value of net assets acquired over the cost of acquisition credited to the income statement (Note 24)	(127,206)

33 Business combination (continued)

(a) (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	32,911	32,911
Property, plant and equipment	3,883,706	4,003,309
Construction in progress	353,074	353,074
Receivables	34,146	34,146
Inventories	220	220
Other current assets	87	87
Borrowings	(635,420)	(635,420)
Payables	(268,386)	(268,386)
Deferred income tax liabilities	(357,997)	(251,941)
Net assets	3,042,341	3,268,000
Minority interest	(718,905)	
Net assets attributable to the Group	2,323,436	
Net assets related to 56.28% interest previously held	(1,712,230)	
Net assets related to 20.09% additional interest acquired	611,206	
Purchase consideration settled in cash	484,000	
Cash and cash equivalents in subsidiary acquired	(32,911)	
Net cash outflow on acquisition	451,089	

There were no business combination in the year ended 31 December 2006.

(b) Impact of fair value adjustment on 56.28% equity interest in Qinglian Company previously held by the Group

	RMB'000
Fair value of the 56.28% equity interest previously held by the Group as at the Acquisition Date	1,712,230
Carrying amount of the 56.28% equity interest previously held by the Group as at the Acquisition Date	(1,839,200)
Change in equity of Qinglian Company after the acquisition of 56.28% equity interest and up to the Acquisition Date, that is attributable to 56.28% interest	(236)
Change in fair value of the 56.28% equity interest previously held	(127,206)

The adjustment of RMB127,206,000 on the fair value of the 56.28% equity interest previously held by the Group mainly represents the change in fair value of property, plant and equipment, after taking into account the related tax impact, which should be accounted for as assets revaluation loss and has been charged to the income statement as other loss (Note 24).

34 Commitments

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

	2007 **RMB'000**	2006 RMB'000 (Restated)
Capital commitments – construction of toll roads		
– contracted but not provided for	**3,458,803**	1,256,118
– authorised but not contracted for	**787,374**	1,389,332
	4,246,177	2,645,450
Investment commitments		
– contracted but not provided for	**83,750**	582,480
	4,329,927	3,227,930

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

35 Contingencies

Pursuant to the terms of the contract of Hengping Project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau amounting to RMB19,000,000. The Company also paid a guarantee deposit of RMB9,425,000 for assuring the progress, quality and safety standards for the construction of the Hengping Project.

During the year, the Company entered into two project construction management contracts with the Shenzhen Communications Bureau (representing the Shenzhen Municipal Government). The Company was appointed to manage the construction of the main route of Nanping Freeway (Phase II) and the renovation project of the Shenyun-North Ring Interchange in Shenzhen. Pursuant to the terms of the contracts, the Company had arranged banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

36 Related party transactions

The substantial shareholder of the Company is Xin Tong Chan, which owns 30.026% interest of the Company. Xin Tong Chan is wholly owned by Shenzhen International, a company whose shares are listed on The Stock Exchange of Hong Kong Limited. Shenzhen International indirectly holds 1.127% interest of the Company through its another wholly owned subsidiary. Shenzhen International is controlled by the Shenzhen Municipal State-owned Assets Supervision and Administration Commission, which is a state-owned authority. In addition, as at 31 December 2007, 22.86% of the equity interests of the Company are held by other different state-owned legal persons. As a result, equity interest of 54% is indirectly held by the PRC government authorities in aggregate.

36 Related party transactions (continued)

Apart from the related party transactions and balances in relation to construction management services, toll income collection, payments on behalf, guarantee for borrowings and advance received which have already been disclosed in Notes 13(a), 13(c), 13(d), 19(b) and 22(c) respectively to these financial statements, the following material transactions were carried out with related parties on a normal commercial basis during the year:

(a) Bank deposits and interest income

	2007	2006
	RMB'000	RMB'000
Bank deposits balance		
State-owned banks	**274,207**	130,233
Interest income from bank deposits		
State-owned banks	**2,505**	2,131

(b) Borrowings and interest expenses

	2007	2006
	RMB'000	RMB'000
Loans from state-owned banks		
Beginning of the year	**1,745,162**	2,126,195
Acquisition of a subsidiary	**584,235**	—
New borrowings	**3,270,660**	2,010,000
Repayments	**(3,107,246)**	(2,393,438)
Interest expense	**149,496**	53,916
Interest paid	**(147,552)**	(51,511)
End of the year	**2,494,755**	1,745,162

The loans from state-owned banks are mainly bearing interest rates ranging from 4.86% to 6.723% (2006: 5.508% to 5.67%).

As at 31 December 2007, the secured loans from state-owned banks amounted to RMB1,322,671,000 (2006: RMB162,761,000).

(c) Capital expenditure and payable balances for construction in progress

	2007	2006
	RMB'000	RMB'000
Capital expenditure incurred for construction in progress and related guaranteed deposits received for construction in progress		
State-owned contractors	**2,199,018**	444,598
Payables for construction in progress and guaranteed deposits balance		
State-owned contractors	**221,093**	118,264

36 Related party transactions (continued)

(d) Payment of project management service fee

In January 2006, Qinglian Company, a then associate of the Group and a subsidiary of the Group since January 2007, entered into a project management service contract with Consulting Company, another associate of the Group, under which Consulting Company assumes the management of a phase of the reconstruction project of Qinglian Class I Highway of Qinglian Company. The value of the management service contract is approximately RMB66,989,000. During the year, Qinglian Company paid a management fee of approximately RMB15,260,000 to Consulting Company. The cumulative management fee paid by Qinglian Company to Consulting Company amounted to approximately RMB20,477,000 up to 31 December 2007.

(e) Key management compensation

	2007	2006
	RMB'000	RMB'000
Salaries, bonues and other short-term employee benefits	**7,536**	6,851

The key management include directors (executive and non-executive) and senior management and there are in total 18 (2006: 19) key management personnel of the Company.

37 Events after the balance sheet date

On 7 January 2008, the Company entered into an operation and management entrustment agreement with Yibin Industrial (Shenzhen) Company Limited ("Yibin Company"), a wholly-owned subsidiary of Shenzhen International, pursuant to which Yibin Company will entrust the Company to manage its 100% equity interest held in Baotong Company and the 89.93% equity interest held in Shenzhen Longda Expressway Company Limited ("Longda Company"). The term of the operation and management entrustment agreement commenced on 8 January 2008 and will expire on 31 December 2009. The management entrustment fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher.

38 Comparative figures

Apart from the restatements made based on changes in accounting policies (Note 2.2), in previous years, the Group presented the analysis of its expenses on the face of the income statement based on the nature of expenses. Effective from 1 January 2007, the Group changed to present its income statement based on the respective function of expenses. In addition, income from the construction management service and income from advertising, which were classified as other income in previous years, are now presented as part of the Group's revenue.

The directors of the Company believe that the revised classification is a better presentation of the Group's revenue and expenses. The comparative figures have been reclassified to conform with current year presentation. There is no impact on net profit as a result of the reclassification.