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## IMPORTANT NOTICE

The Board of the Directors and the Directors of Anhui Expressway Company Limited (“the Company”) hereby warrant that there are no false accounts, misleading statements or significant omissions of information contained in this report, and jointly and individually accept responsibility as to the truthfulness, accuracy and completeness of its contents.

Mr. Wang Shui, Chairman, Mr. Li Yungui, General Manager and Ms. Liang Bing, manager of the Planning and Financial Department of the Company hereby confirm that the financial statements contained in the interim Report are true and complete.

The Interim Report has not been audited.



## I CORPORATE PROFILE

### 1. Basic Profile of the Company

- |    |   |   |   |
|----|---|---|---|
| 1. | Official name of the Company (in Chinese)                 | : | 安徽皖通高速公路股份有限公司  |
|    | (in English)  | : | Anhui Expressway Company Limited  |
|    | Abbreviation (in Chinese)                                 | : | 皖通高速  |
|    | (in English)  | : | Anhui Expressway  |
| 2. | Stock Exchange on which the Company's A Shares are listed | : | Shanghai Stock Exchange   |
|    | Short name of the Company's A Shares                      | : | Wantong Expressway  |
|    | Stock code of the Company's A Shares                      | : | 600012  |
|    | Stock Exchange on which the Company's H Shares are listed | : | The Stock Exchange of Hong Kong Limited   |
|    | Short name of the Company's H Shares                      | : | Anhui Expressway  |
|    | Stock code of the Company's H Shares                      | : | 0995  |
| 3. | Registered address of the Company                         | : | 669 Changjiang West Road, Hefei, Anhui, the PRC                                     |
|    | Office address of the Company                             | : | 8 Meiling Avenue, Hefei, Anhui, the PRC   |
|    | Postal code   | : | 230051  |
|    | Business address of the Company in Hong Kong              | : | 4th Floor, Jardine House, 1 Connaught Place, Hong Kong                              |
|    | Website of the Company                                    | : | <a href="http://www.anhui-expressway.com.cn">http://www.anhui-expressway.com.cn</a> |
|    | E-mail address of the Company                             | : | epway@mail.hf.ah.cn   |
| 4. | Legal representative of the Company                       | : | Wang Shui   |



5. Company secretary : Xie Xinyu
- Telephone : 0551-3432521
- Representative of Securities Affairs : Ms. Han Rong and Ms. Ding Yu
- Telephone : 0551-3433722
- Fax : 0551-3434602
- E-mail address : epway@mail.hf.ah.cn
- Contact address : 8 Meiling Avenue, Hefei, Anhui, the PRC
6. Newspapers designated for publishing reports : Shanghai Securities Post, China Securities Post,  
The South China Morning Post and Wen Wei Po in Hong Kong
- Website designated for disclosure of reports : <http://www.sse.com.cn>
- Addresses designated for keeping the Interim Report : Shanghai Stock Exchange, 528 Pudong South Road, Shanghai  
Hong Kong Registrars Limited, 1712-16, 17th Floor, Hopewell  
Center, 183 Queen's Road East, Wanchai, Hong Kong  
Company's head office, 8 Meiling Avenue, Hefei, Anhui

## 2. Key Financial Statistics and Indicators Prepared In Accordance With the Accounting Principles Generally Accepted in the PRC ("the PRC Accounting Standards") (Unaudited)

### Key Profitability Indicators of the Consolidated Financial Statements for the current period (Unit: RMB)

Indicators	For the six months ended 30 June		
	2003	2002	Change
Net profit	<b>121,662,124.47</b>	134,740,904.24	-9.71%
Net profit after extraordinary items	<b>121,761,996.79</b>	122,990,940.29	-1.01%
Net cash flows from operating activities	<b>228,008,988.32</b>	220,860,932.22	3.24%
Earnings per share	<b>0.0734</b>	0.0957	-23.30%
Returns on net assets	<b>3.31%</b>	4.57%	-27.57%

Notes: Extraordinary items deducted and amounts involved:

	2003	2002
(1) Financial refunds of business tax	—	1,293,141.54
(2) Financial refunds of income tax	—	10,659,938.18
(3) Investment income	<b>-65,844.57</b>	-107,249.90
(4) Non-operating income	<b>12,718.81</b>	419,074.74
(5) Non-operating expenses	<b>-46,746.56</b>	-514,940.61
Total:	<b>-99,872.32</b>	11,749,963.95

Indicators	As at 30 June 2003	31 December, 2002	Change
Current assets	<b>660,859,868.22</b>	1,172,527,637.24	-43.64%
Current liabilities	<b>661,804,284.23</b>	270,914,002.64	144.29%
Total assets	<b>5,633,488,232.95</b>	5,062,203,678.57	11.29%
Net asset per share	<b>2.22</b>	2.14	3.74%
Adjusted net asset per share	<b>2.21</b>	2.14	3.27%
Shareholders' interests (Excluding minority interests)	<b>3,673,861,771.54</b>	3,552,199,647.07	3.42%



### 3. Key Financial Statistics and Indicators Prepared In Accordance With the Accounting Principles Generally Accepted in Hong Kong (“the Hong Kong Accounting Standards”) (Unaudited)

#### Summary of Results

Unit: RMB'000

	For the six months ended 30 June		
	2003	2002	Change
Turnover	<b>388,924</b>	343,565	13.20%
Operating profit before taxation	<b>195,429</b>	191,637	1.98%
Profit attributable to shareholders	<b>151,409</b>	160,152	-5.46%
Basic earnings per share (RMB)	<b>0.0913</b>	0.1137	-19.70%

#### Summary of Assets

Unit: RMB'000

	As at	As at	Change
	30 June 2003	31 December 2002	
Total assets	<b>6,358,456</b>	5,748,625	10.61%
Total liabilities	<b>2,098,551</b>	1,590,371	31.95%
Total net assets	<b>4,259,905</b>	4,158,254	2.44%
Net assets per share (RMB)	<b>2.57</b>	2.51	2.39%

### 4. Major Difference Between Financial Statements Prepared In Accordance With Different Accounting Standards

Unit: RMB'000

	Net assets	Net profit
	(As at 30 June 2003)	(For the six months ended 30 June, 2003)
Amount reported in accordance with the PRC Accounting Standards	<b>3,673,862</b>	121,662
Adjustments made in accordance with the Hong Kong Accounting Standards:		
1. Valuation of expressways and buildings and their depreciation	<b>632,399</b>	34,598
2. Valuation of land use rights and their amortization	<b>92,568</b>	3,948
3. Deferred taxation	<b>(138,924)</b>	(8,799)
Amounts as reported under the Hong Kong Accounting Standards	<b>4,259,905</b>	151,409

## II SHAREHOLDERS AND THE CHANGE OF SHARE CAPITAL

1. There was no change in the number of total shares and the share capital structure during the reporting period.
2. As at 30 June 2003, there were 69,861 shareholders of the Company, which comprise one state-owned shareholder, one state-owned legal person shareholder, 69,698 A shareholders and 161 H shareholders.
3. During the reporting period, there was no change in the number of shares held by shareholders who hold 5% or more in the share capital of the Company.

Names	At beginning of period (shares)	Increases or decreases during period	Type of shares	As a % of total capital	Pledged or locked-up
Anhui Expressway Holding Corporation	538,740,000	0	State-owned shares	32.48%	
Huajian Transportation Economic Development Center	376,860,000	0	State-owned legal person shares	22.72%	

4. As at 30 June 2003, the ten largest shareholders of the Company were as follows:

Rank	Names	At beginning of period (shares)	Increases or decreases during period (shares)	At end of period	Type of shares	Pledged or locked-up
1	Anhui Expressway Holding Corporation	538,740,000	0	538,740,000	State-owned shares	
2	HKSCC NOMINEES LTD (agent)	480,549,998	+1,876,000	482,425,998	H shares	
3	Huajian Transportation Economic Development Center	376,860,000	0	376,860,000	Stated-owned legal person shares	
4	Puhui Securities Investment Fund	Not clear		5,552,000	A shares	
5	ARSENTON NOMONEES LTD	4,802,000	0	4,802,000	H shares	
6	Hanxing Securities Investment Fund	Not clear		4,468,000	A shares	
7	Xinghua Securities Investment Fund	Not clear		3,643,000	A shares	
8	Fuguodongtai Balance Investment Fund	Not clear		3,463,000	A shares	
9	Longyuan Securities Investment Fund	Not clear		2,513,000	A shares	
10	Hebei Securities Company Limited	Not clear		1,653,321	A shares	

*Notes:*

- (a) There are no connected relationship between the state-owned shareholders and the State-owned legal person shareholders, as shown in the above chart, and the connected relationship amongst other shareholders cannot be ascertain.
  - (b) During the reporting period, the Company has not received notice from shareholders holding more than 5% in the share capital of the Company, regarding the pledge or lock-up of any of their shares.
  - (c) During the reporting period, no related parties, strategic investors or common legal persons became ten largest shareholders of the Company as a result of new issues of shares.
  - (d) Anhui Expressway Holding Corporation holds shares on behalf of the State.
  - (e) 482,425,998 H Shares are held by HKSCC NOMINEES LTD (agent), which holds such shares representing many clients. The Company is not aware of any of the clients who holds more than 5% of the total share capital.
5. During the reporting period, there was no change in the controlling shareholders in the Company.
6. Purchase, Sale and redemption of the Company's Shares

As at 30 June 2003, the Company did not repurchase any of its listed shares, nor purchased or re-sold any listed shares of the Company.

7. Pre-emptive Rights

Neither the Articles of Association of the Company nor the PRC laws require the Company to offer pre-emptive rights to its existing shareholders for subscription of new shares according to the proportion of their shareholders.





### **III DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

#### **1. Shareholdings of Directors, Supervisors and Senior Management**

During reporting period, the Directors, Supervisors and Senior Management of the Company did not hold any shares of the Company or changes of them.

#### **2. Changes of Directors, Supervisors and Senior Management**

During the reporting period, there were no changes of Directors, Supervisors and Senior Management.



## IV MANAGEMENT DISCUSSION AND ANALYSIS

### 1 Business Review

In 2002, the national economy had a good start. Most of the economic targets of the first quarter enjoyed the fastest growth since 1995. The national economy during the reporting period still keeps increasing steadily despite of the suffering from SARS in the second quarter. During the reporting period, the total GDP of the PRC amounted to RMB5,005.3 billion, representing an increase of 8.2% compared with that of the corresponding period of last year. Investments had been increasing in a rapid pace, foreign investments continued to grow steadily in the PRC, the situation of exports was getting better and better. The growth of consumption has been slowed down and the operating quality of national economy improved a lot. During the reporting period, the GDP of Anhui Province reached RMB178.29 billion, representing an increase of 9.5% compared with that of the corresponding period of previous year, which had achieved the biggest increase since 1997.

During the reporting period, the various operations of the Group enjoyed successful developments. In accordance with the PRC Accounting Standards, a turnover of RMB410,162,000 was achieved, representing an increase of 13.72% compared with that of the corresponding period of last year. Net profit of the Company reached RMB121,662,000, representing a decrease of 9.71% compared with that of the corresponding period of last year. Earnings per share was 0.0734. In accordance with the Hong Kong Accounting Standards, a turnover of RMB388,924,000 was achieved, representing an increase of 13.20% compared with that of the corresponding period of previous year. Unaudited profit attributable to shareholders of RMB151,409,000 was achieved, representing a decrease of 5.46% compared with that of the corresponding period of previous year. Earnings per share was RMB0.0913, representing a decrease of 19.70% compared with that of the corresponding period of previous year.

Details of various operations of the Group are as follows:

#### (a) Toll roads

##### **Operating results of toll roads**

The Company is principally engaged in holding, operating and developing the toll expressways and highways in Anhui Province as well as outside Anhui Province. The Company now holds four expressways and one Class I highway with a total mileage of 395 kilometers. The five highways are Hening Expressway, Gaojie Expressway, Xuanguang Expressway, Lianhuo Expressway and National Trunk 205 Tianchang Section. Most of the highways held by the Company are the east-west national trunks and they play an important part in the road transportation.

### Analysis of toll road operation

The operating results of the Company's toll highways are set out as follows:

Unit: RMB'000

Toll roads	Average daily mixed traffic volumes	Increase or decrease	Converted	Increase or decrease	Toll income	Increase or decrease
			average daily traffic volumes for entire journey			
Hening Expressway	16,571	-3.01%	10,795	-1.56%	177,506	-3.15%
National Trunk 205 Tianchang Section	11,461	-3.12%	11,461	-3.12%	29,965	-4.12%
Gaojie Expressway	8,600	24.87%	7,529	24.53%	94,125	14.10%
Xuanguang Expressway	3,850	9.28%	5,423	29.24%	56,927	19.18%
Lianhuo Expressway (Anhui Section)	4,671	—	3,945	—	30,113	—

Note: Lianhuo Expressway (Anhui Section) commenced operation on 1st July 2002, It is not applicable to compare the figure with the one for the corresponding period of last year.

During the period, the growth of the toll income is slow for all the expressways of the Group, which are affected by SARS. The toll income of Hening Expressway decreased because of its thorough reconstruction commencing from March 2003. The toll income of National Trunk 205 Tianchang Section decreased because of the removal of a tollgate in older road, which is paralleling to the road. The increase of Xuanguang Expressway and Gaojie Expressway's toll income was resulted from the growth of the traffic volumes.

### Operating results of major companies with capital injection (in accordance with the PRC Accounting Standards):

Unit: RMB'000

	Turnover	operation expenses	operation profit	shareholder's equities
Gaojie Expressway Company Limited ("Gaojie Expressway")	94,184	45,521	40,587	27,245
Xuanguang Expressway Company Limited ("Xuanguang Expressway")	57,298	25,160	24,893	16,602



(b) *Other Businesses*

As at 30 June 2003, the revenue of the Company other than the toll income amounted to RMB20,987,000.

## 2. Investments of the Company

(a) *The use of the proceeds from A shares issue*

In 2002, the Company issued 250 million A shares and raised the net proceeds of RMB526,960,000. The Company has paid the said balance to AEHC for the acquisition of Lianhuo Expressway Anhui Section in January 2003, and the two parties completed the acquisition procedure of Lianhuo expressway Anhui Section.

During the reporting period, the Company has paid the first instalment of RMB670 million to AEHC according to the Acquisition Contract.

During the reporting period, the proceeds of RMB526,960,000 has been fully used.

(b) *Major investment transaction other than the use of proceeds from A shares issue*

The construction of Hening Expressway commenced from 1986 and ended in 1991, by now it has been in operation for 11 years. Because of the poor original design standard, increasing traffic volumes and more and more big and over-loaded vehicles, the road surface has been damaged and the road condition became worse. Daily maintenance was not enough to keep its regular operation. The Company decided to have a thorough reconstruction of Hening Expressway. The reconstruction commenced from March 2003 for a term of 2 years and the total investment budget was RMB880 million. Total amount of RMB124,854,000 has been invested in the reconstruction as at 30 June, 2003.

## 3. Financial Analysis and Operation Results of the Company (In accordance with the PRC Accounting Standards)

### Operation results

	For the six months ended 30 June		
	2003 (RMB'000)	2002 (RMB'000)	change
Revenue from principal operation, net	<b>388,924</b>	343,565	13.20%
Other operating costs	<b>190,750</b>	149,683	27.44%
Operating profits	<b>157,001</b>	158,009	-6.38%
Investment income	<b>-78</b>	-126	38.10%
Finance costs	<b>1,320</b>	1,603	-17.65%
PRC enterprise income tax	<b>35,489</b>	22,958	54.58%
Net profit	<b>121,662</b>	134,741	-9.71%

The reason for the increase of 54.58% of the PRC enterprise income tax was that the Company received a sum of RMB10 million during the corresponding period of last year, thereby reversing the PRC enterprise income tax of that period.



### Revenue from principal operation, net

	For the six months ended 30 June		
	2003 (RMB'000)	2002 (RMB'000)	change
Income from toll roads	410,162	360,685	13.72%
Less: business tax and surcharge	21,238	17,120	24.05%
Revenue from principal operation, net	<u>388,924</u>	<u>343,565</u>	<u>13.20%</u>
<b>Total operating costs</b>			
Total operating costs	190,750	149,683	27.44%
Included:			
Depreciation and amortization	130,251	96,922	34.39%
Roads maintenance expenses	42,306	36,567	15.69%
Other costs	18,193	16,194	12.34%

The reason for the increase of 34.39% of the Depreciation and Amortization was that the assets of Lianhuo Expressway Anhui section were merged into the Company during the reporting period, thereby increasing the Depreciation and Amortization expenses at the reporting period.

The reason for the increase of 15.69% of the road maintenance expenses was that the operating life and traffic volumes increased.

### Finance costs

During the period under review, the Group had no loans, thereby no financial expenses incurred. Financial income (net) of RMB1,320,000 was the interests from the Company's own cash deposited in the bank.

### PRC Enterprise Income Tax

The Company and Wantong Technology, subsidiary of the Company, are registered in the Hefei High Technology Industry Development Zone as high-tech Companies. Pursuant to relevant regulations, the Company and Wantong Technology's applicable Enterprise Income tax ("EIT") rate is at a reduced rate of 15% of taxable income.

Other subsidiaries within the Group are subject to EIT levied at a rate of 33% on taxable income based on its audited accounts prepared in accordance with the laws and regulations in the PRC.

**Financial Analysis**

	<b>30 June 2003</b>	31 December 2002
Returns on the shareholder's equities	<b>3.31%</b>	7.27%
Gearing ratio	<b>31.38%</b>	26.03%
Current ratio	<b>0.9986</b>	4.33
Quick ratio	<b>0.9600</b>	4.23
Cash ratio	<b>0.7936</b>	4.13

**Cash flow information**

		<i>(RMB'000)</i>
Net cash inflow from operating activities	<b>228,009</b>	
Net cash inflow from dividends, other incomes received from jointly controlled entities	—	
Cash outflow for capital expenditure	<b>-758,526</b>	
Net cash outflow of bank borrowings	—	
Government Grants	—	
Cash outflow for short-term investment	<b>-46,631</b>	
Dividends paid	<b>-14,648</b>	
Others	<b>-1,917</b>	
Net decrease in cash and cash equivalents for the six months ended 30 June 2003	<b>-593,713</b>	

The large decrease in cash and cash equivalents during the reporting period is because that the Company paid the first instalment of RMB670 million to AEHC for the acquisition of Lianhuo Expressway Anhui Section.

**Capital Structure**

	<b>As at 30 June, 2003</b>		<b>As at 31 December, 2003</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
	<i>(RMB'000)</i>		<i>(RMB'000)</i>	
Current liabilities	<b>661,804</b>	<b>11.75%</b>	270,914	5.35%
Long-term liabilities	<b>1,105,894</b>	<b>19.63%</b>	1,046,894	20.68%
Shareholder's equity	<b>3,673,862</b>	<b>65.21%</b>	3,552,200	70.17%
Minority interest	<b>191,928</b>	<b>3.41%</b>	192,196	3.80%
Total	<b>5,633,488</b>	<b>100%</b>	5,062,204	100%

**Contingent Liabilities**

During the period, the Group has not any contingent liabilities.

**4. Business Outlook**

Looking forward, the Company's core business is expected to develop steadily. The toll roads operated by the Group will remain as the base of profit. The Company will continue to strengthen the operation and management of toll roads, enhance the market competitiveness of the Company as well as enlarge the investments in new and hi-tech industry to form new profit engines, which will lead to better profitability of the Company.



## V MAJOR EVENTS

### 1. Corporate Governance

During the reporting period, the Company continuously improves and perfects its legal governance structure and standardizes its corporate operations according to "Governance Norms of Listed Company". The Company has formulated the "Rules and Standing Orders of the General Meeting", "Standing Orders of the Supervisory Committee" and "Amendment of the Articles of Association", which were approved by the 2002 General Meeting. Besides, the Company attaches great importance to the investor relationship and information disclosure, "Information Disclosure System" formulated by the Company was approved by the 3rd session of the third Board of Directors held on 23 April 2003.

### 2. Profit Appropriation for 2003 Interim

The Board of Directors of the Company recommends that the Company will neither pay the dividends for six months as at 30 June 2003 nor transfer the capital surplus to share capital.

### 3. Implementation of the profit appropriation for the year 2003

2002 profit appropriation Plan of the Company was approved by the 2002 Annual general Meeting held on 10 June 2003, details are as follows: To pay a final dividend of RMB49,758,300 on the basis of RMB0.3 for every 10 shares (tax inclusive) based on the total number of shares outstanding at the end of 2002 of 1,658,610,000 shares.

According to the authorization by the General Meeting, on 11 June 2003, the Board of Directors of the Company published the resolutions of 2002 General Meeting in the Shanghai Securities Post, China Securities Post, Wen Wei Po and South China Morning Post and determined a dividend of HK\$0.028, which was prized in RMB and paid in HK\$. The registration date of the H Shareholders was May 7 and the dividend payout date was June 24. On 7 July 2003, the Company published the 2002 profit appropriation implement announcement in the Shanghai Securities Post and the China Securities Post and determined that the A Shareholders' registration date was July 10, the ex-dividend date was July 11 and the dividend payout date of July 17.

The 2002 profit allotment proposal has been implemented.

### 4. Material Litigation and Arbitration

The Company was not involved in any material litigation or arbitration during the reporting period.



## 5. Material Acquisition and Disposals of Assets and Mergers

### *Acquisition of Anhui Section of Lianhuo Expressway*

The Company entered into an agreement with Anhui Expressway Holding Corporation (“AEHC”) to acquire the Anhui Section of Lianhuo Expressway with a total consideration of RMB1.18 billion. The Company has applied the proceeds, raised from A Shares issue for the acquisition and the shortfall was financed by the Company's own source.

The Lianhuo expressway (Anhui Section) is a 54-kilometer long dual carriageway four-lane toll expressway, which forms part of the highway from Lianyungang to Huoerguosi and links the existed highways in Henan Province and Jiangshu Province and another expressway from Beijing to Fuzhou. It plays an important role in China's politics, economy, military affairs and National Trunk Networks.

Having completed this acquisition, the Company will take a further step in realizing the control of the two National Trunk Highways within Anhui Province by extending the scope of its existing assets and thus will consolidate its leading position in Anhui Province.

On January 2003, the Company paid RMB526,960,000, which was raised from A shares issue, to AEHC for the acquisition of Lianhuo Expressway (Anhui Section) and the two parties completed the acquisition procedure of Lianhuo Expressway (Anhui Section). The Company has been the owner of Lianhuo Expressway (Anhui Section) since 1 January 2003 and established tollgates to operate it. At present, Lianhuo Expressway (Anhui Section) runs well and the traffic volumes increase stably. For the six months ended 30 June 2003, the total revenue of Lianhuo Expressway (Anhui Section) amounted to RMB30,113,000.

## 6. Connected Transactions

During the reporting period, connected transactions of the Company were as follows:

- (a) The Company entered into an agreement with AEHC to acquire the Anhui Section of Lianhuo Expressway with a total consideration of RMB1.18 billion. As at 30 June 2003, the Company has paid the first instalment of RMB670 million to AEHC;
- (b) Wantong Technology, a subsidiary of the Company, provides AEHC with installation service of a toll collection system, the service fees of which totaled RMB1,867,000.

## 7. Confirmation By the Independent Directors Regarding Connected Transactions

The Independent non-directors of the Company have received the above connected transactions and confirmed that:

- (a) The transactions were carried out in the normal and usual course of business of the Company;
- (b) The transactions were carried out on normal commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) on terms that are fair and reasonable so far as the shareholders of the Company are connected;
- (c) The transactions were carried out in accordance with the terms of agreement governing such transactions.



## 8. Material Contracts and their Implementation

### (a) *Material custody, subcontracting and leasing items*

During the reporting period, the Company was not involved in any material custody, subcontracting and leasing.

### (b) *Material guarantee*

During the reporting period, the Company did not provide guarantee for shareholders, connected persons and other companies.

### (c) *Financial entrustment*

Beijing Haiwei Investment Company Limited, a subsidiary of the Company, entered into an agreement with Dongfang Securities Company Limited on 18 February 2003 to entrust it to invest RMB46,631,456.39 in the National Debts, which will expire on 31 December 2003.

### (d) *Entrusted deposit and overdue fixed deposit*

During the reporting period, the Company did not have any entrusted deposit with financial institutions in the PRC, neither has the Company experienced any incident of not being able to withdraw fixed deposits when they became mature.

## 9. Commitments

(a) Pursuant to the Reorganization Agreement signed by the Company and AEHC on 12 October 1996, AEHC has undertaken that it will not participate in any businesses or activities, which will compete against the Company either directly or indirectly.

(b) The group has entered into an agreement on the construction of an office building in the Hefei New and Hi-tech Development Zone. The sum contracted but not yet paid was RMB28,000,000.

## 10. Punishment by Regulatory Authorities

During the reporting period, the Company, the Board of Directors and its directors have not been involved in any punishment by the regulatory authorities.



## 11. Other Major Events

### (a) *Basic Medical Insurance*

During the reporting period, the enterprises and institutions in Hefei should contribute 8% of the basic wages of its staff for medical insurance in accordance with No.82 Hefei People's Government Order issued in November 2000 by Hefei, Anhui, where the Company is located. The Company plans to contribute the said medical insurance from 2003, the insurance fees will be provided from the welfare funds of the staff. This will not have any material impact on the profit for the year of the Company and the Company has no obligations to pay for the medical insurance relating to the prior years.

Anhui Gaojie Expressway Company Limited and Xuanguang Expressway Company Limited, subsidiaries of the Company, contributed 6.5% of the basic wages of its staff to the medical insurance commencing February 2002.

### (b) *Staff Quarters*

The Company does not own any staff quarters and does not plan to provide any staff quarters. The staff quarters of the Company are all provided by AEHC, for which the Company is not required to pay any fee to AEHC. The Group does not encounter any financial problems arising from the reform on the enterprise housing system. Accordingly, the relevant policies do not have any material effect on the Group.

During the reporting period under review, the Company has contributed 15% to the basic wages of its staff to the Housing Fund in accordance with the society insurance scheme implemented by Anhui Provincial Government. There is no further obligation of the Company apart from contributions to the Housing Fund.

### (c) *Code of Best Practice*

The Board is not aware of any matter that does not comply with the "Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited during the period under review.

### (d) *The Audit Committee*

During the reporting period, two meetings of the Audit Committee were held by the Company for examining and approving the 2002 results report and 2002 annual accounts as well as the 2003 Interim Results and 2003 Unaudited Interim Accounts.

## 12. Subsequent Events

### *Capital Increase and Acquisition Items Relating to Xuanguang Expressway Company Limited*

Xuanguang Expressway Company Limited (the JV Company) is a subsidiary of the Company. Before the Capital Increase and Acquisition, the registered capital of the JV Company was RMB71.88 million, among which RMB36.66 million was owned as to 51% by the Company; and the remaining RMB35.22 million was owned as to 49% by Xuancheng Area High Class Highway Construction and Management Company Limited (the PRC Partner). In addition, the PRC Partner had a shareholder's loan of RMB316.98 to the JV Company.

In order to implement the above transaction, the Company and the PRC Partner entered into a Capital Increase Agreement and Sale and Purchase Agreement on 11 August 2003. Pursuant to such agreements, the PRC Partner injected the assets of Xuanzhou South Ring Road to the JV Company at a consideration of RMB398.800 million, RMB39.880 million of which will be capitalized as registered capital of the JV Company while the remaining RMB358.920 million will be treated as shareholder's loan to the JV Company. Upon completion of the Capital Increase, the registered capital of the JV Company increased to RMB111.76 million, among which RMB36.66 million will be owned as to 32.8% by the Company, and the remaining RMB75.10 million will be owned as to 67.2% by the PRC Partner. In addition, the PRC Partner had a shareholder's loan of RMB675.90 million to the JV Company.

Pursuant to the Sale and Purchase Agreement, the Company agrees to acquire from the PRC Partner its interests in Xuanguang Expressway, comprising registered capital of an amount of RMB25.335 million and benefit of shareholder's loan of RMB228.015 million. Thus, upon completion of the Capital Increase and Acquisition, the registered capital of the JV Company will increase to RMB111.76 million, among which an amount of RMB61.995 million will be owned as to 55.47% by the Company, and the remaining RMB49.765 million will be owned as to 44.53% by the PRC Partner. The shareholder's loans will increase to RMB920.18 million, among which RMB472.295 million was held by the Company and the remaining RMB447.885 million was held by the PRC Partner.

## 13. Other Information Index

The following announcements were all published in the Shanghai Securities Post, China Securities Post, The Wen Wei Po and South China Morning Post.

- (a) The Resolution Announcement of the 3rd Session of the Third Board meeting was published on 24 April 2003, the Resolution Announcement of the 2nd Session of the Third Supervisory Committee meeting and the notification of the 2002 Annual General Meeting;
- (b) The Resolution Announcement of 2002 Annual General Meeting was published on 11 June 2003;
- (c) The 2002 dividend payment announcement was published on 7 July 2003;
- (d) The clarification announcement published on 11 July 2003.
- (e) The Resolution Announcement of the 4th Session of the Third Board meeting, the Connected Transactions Announcement and the Announcement of Acquiring the Interests in Xuanguang Expressway Company Limited published on 13 August 2003.

## VI ACCOUNTS

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

(Amounts expressed in thousands of Renminbi, except for earnings per share)

	Note	For the six months ended 30 June	
		2003 (unaudited)	2002 (unaudited)
Turnover		388,924	343,565
Cost of sales		(152,204)	(115,707)
<b>Gross profit</b>		<b>236,720</b>	227,858
Other revenue		6,881	6,095
Distribution costs		(416)	(344)
Administrative expenses		(45,355)	(39,165)
Other operating expenses		(2,324)	(2,063)
<b>Operating profit</b>		<b>195,506</b>	192,381
Finance costs		—	(618)
Share of losses from associated companies		(77)	(126)
<b>Profit before taxation</b>	5	<b>195,429</b>	191,637
Taxation	6	(44,288)	(31,414)
<b>Profit after taxation</b>		<b>151,141</b>	160,223
Minority interests		268	(71)
<b>Profit attributable to shareholders</b>		<b>151,409</b>	160,152
Dividends	12	—	70,431
Basic earnings per share	7	<b>RMB0.0913</b>	RMB0.1137

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

(Amounts expressed in thousands of Renminbi)

	Note	As at 30 June 2003 (unaudited)	As at 31 December 2002 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	4,722	6,320
Fixed assets	8	5,670,510	4,547,336
Interests in associated companies	8	4,363	4,440
Investment securities	8	18,000	18,000
		<u>5,697,595</u>	<u>4,576,096</u>
<b>Current assets</b>			
Inventories		18,186	22,769
Trade and other receivables	9	70,841	30,844
Short-term investment		46,631	—
Bank balances and cash		525,203	1,118,916
		<u>660,861</u>	<u>1,172,529</u>
<b>Current liabilities</b>			
Trade and other payables	10	610,327	205,726
Taxation payable		16,366	15,429
Dividend payable		35,111	—
		<u>661,804</u>	<u>221,155</u>
<b>Net current (liabilities)/assets</b>		<b>(943)</b>	951,374
<b>Total assets less current liabilities</b>		<b>5,696,652</b>	5,527,470
<b>Financed by:</b>			
Share capital	11	1,658,610	1,658,610
Reserves	12	1,688,249	1,688,249
Retained earnings	12	913,046	761,637
Proposed final dividend	12	—	49,758
<b>Shareholders' funds</b>		<b>4,259,905</b>	4,158,254
<b>Minority interests</b>		<b>191,929</b>	192,197
<b>Non-current liabilities</b>			
Long-term payables to minority shareholders of subsidiaries	13	1,045,594	1,045,594
Other long-term payables	14(c)	60,300	1,300
Deferred tax liabilities		138,924	130,125
		<u>5,696,652</u>	<u>5,527,470</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

(Amount expressed in thousands of Renminbi)

	From 1 January 2003 to 30 June 2003 (unaudited)						Total Equity
	Share	Share	Statutory	Statutory	Discretionary	Unappropriated	
	Capital	Premium	Surplus	Public	Surplus		
	Note 11	Note 12(a)	Reserve Fund	Welfare Fund	Reserve Fund	Profits	
Balance at 1 January 2003	1,658,510	1,447,459	125,837	114,295	658	811,395	4,158,254
Dividends declared after							
31 December 2002	—	—	—	—	—	(49,758)	(49,758)
Net profit for the period	—	—	—	—	—	151,409	151,409
Balance at 30 June 2003	<u>1,658,610</u>	<u>1,447,459</u>	<u>125,837</u>	<u>114,295</u>	<u>658</u>	<u>913,046</u>	<u>4,259,905</u>

	From 1 January 2002 to 30 June 2002 (unaudited)						Total Equity
	Share	Share	Statutory	Statutory	Discretionary	Unappropriated	
	Capital	Premium	Surplus	Public	Surplus		
	Note 11	Note 12(a)	Reserve Fund	Welfare Fund	Reserve Fund	Profits	
Balance at 1 January 2002	1,408,610	1,170,499	90,234	83,574	658	681,377	3,434,952
Dividends declared after							
31 December 2001	—	—	—	—	—	(42,258)	(42,258)
Net profit for the period	—	—	—	—	—	160,151	160,151
Balance at 30 June 2002	<u>1,408,610</u>	<u>1,170,499</u>	<u>90,234</u>	<u>83,574</u>	<u>658</u>	<u>799,270</u>	<u>3,552,845</u>

## CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 June 2003

(Amounts expressed in thousands of Renminbi)

	Note	For the six months ended 30 June	
		2003 <i>(unaudited)</i>	2002 <i>(unaudited)</i>
Net cash generated from operating activities		228,009	221,011
Net cash used in investing activities		(803,833)	(63,704)
Net cash used in financing activities		(17,889)	(102,877)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(593,713)</b>	54,430
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>		<b>1,118,916</b>	371,480
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>		<b>525,203</b>	425,910

## NOTES TO THE CONDENSED ACCOUNTS

As at 30 June 2003

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (collectively "HKGAAP").

The principal accounting policies adopted in preparing the interim accounts of the Group are consistent with those adopted in the preparation of the accounts as at and for the year ended 31 December 2002. This represents a change in the adoption of accounting standards for the preparation of accounts as at 30 June 2002 and the six months then ended, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The directors of the Company believe that the accounts prepared in accordance with HKGAAP will result in accounts presentation more familiar to the Hong Kong based investors and more comparable to other Hong Kong listed companies with similar operations. Accordingly, the accounts of the Group as at and for the year ended 31 December 2002 were prepared in accordance with HKGAAP. The directors of the Company consider that there is no significant difference in the accounting treatments between adopting IFRS and HKGAAP.

The basis of accounting under HKGAAP differs from that used in the preparation of the Group's statutory accounts which are prepared in accordance with Accounting Standards for Enterprises and the Accounting Regulations of the People's Republic of China (the "PRC") for Business Enterprises ("Statutory Accounts"). The adjustments made to conform the Statutory Accounts of the Group to HKGAAP are shown in Note 15.

Cost that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

These interim accounts should be read in conjunction with the 2002 annual accounts.

### 2. CHANGE IN ACCOUNTING ESTIMATE

As a result of the uncertainties inherent in business activities, many financial statement items cannot be measured with precision, but can only be estimated. The estimation process involves judgements based on the latest information available. An estimate may have to be revised if changes occur regarding the circumstances on which the estimate was based or as a result of new information, more experience or subsequent developments. The effect of a change in an accounting estimate is included in the determination of net profit or loss in the period of the change and future periods, if the change affects both.

In 2003, a change in estimate occurred in the calculation of the depreciation of toll roads and amortisation of land use rights in relation to toll roads. The depreciation of toll roads and amortisation of land use rights in relation to toll roads were calculated to write off their cost on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at a certain growth rate per annum will approximate the total carrying value of the toll roads and the land use rights in relation to toll roads at the end of operating periods of respective toll roads. In 2003, based on the revised traffic volume forecast made by traffic consultants, management revised the above-mentioned growth rates used in the sinking fund calculation of the depreciation of Hening Expressway, 205 Tian Chang Section and Gao Jie Expressway and amortisation of related land use right. The net effect of this change was a reduction of the profit attributable to shareholders for the six months ended 30 June 2003 by approximately RMB4,808,000.



### 3. PRINCIPLES AND BASIS OF CONSOLIDATION

The accompanying condensed consolidated accounts include the accounts of Anhui Expressway Company Limited (the "Company") and its consolidated subsidiaries (hereinafter together with the Company referred to as the "Group").

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

Details of the Group's consolidated subsidiaries as at 30 June 2003 were as follows:

Name of subsidiary	Country of incorporation and kind of legal entity	Principal activities and place of operation	Interest held		Paid in, issued and fully paid share capital RMB'000
			Direct	Indirect	
Anhui Gao Jie Expressway Company Limited ("Gao Jie")	PRC, Limited liability company	Management and operation of expressway in Anhui province, PRC	51%	—	300,000
Xuan Guang Expressway Company Limited ("Xuan Guang")	PRC, Limited liability company	Management and operation of expressway in Anhui province, PRC	51%	—	71,880
Anhui Wantong Technology Development Co., Ltd.	PRC, Limited liability company	Development, production and sales of computer software and hardware in Anhui province, PRC	75.5%	—	20,000
Tianjin Xinxigang Jiazi Co., Ltd.	PRC, Limited liability company	Consulting and technology development in Tianjin, PRC	—	52.85%	2,000
Beijing Haiwei Investment Co., Ltd.	PRC, Limited liability company	Project management, investment consulting, development of computer software and hardware in Beijing, PRC	70%	15.79%	50,000
Anhui Kangcheng Pharmaceutical Co., Ltd.	PRC, Limited liability company	Sales and development of pharmaceutical products in Anhui province, PRC	65%	—	10,000

#### 4. SEGMENT INFORMATION

Apart from operating and managing toll roads, the Group does not conduct other businesses which have significant impact on the Group's results. No segment income statement has been prepared by the Group. The Group also operates within one geographical segment because its revenues are primarily generated in the Anhui Province, PRC and its assets are mainly located in the Anhui Province, PRC. Accordingly, no geographical segment data is presented.

#### 5. PROFIT BEFORE TAXATION

Profit before taxation in the condensed consolidated profit and loss accounts was determined after charging or crediting the following items:

	<b>For the six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
After charging:		
Staff costs		
- Salaries and wages	<b>16,132</b>	14,048
- Provision for staff welfare	<b>4,215</b>	3,254
- Contribution to statutory pension scheme	<b>7,875</b>	7,868
Interest expenses on bank loans	—	618
Depreciation of fixed assets	<b>85,499</b>	62,454
Amortisation of intangible assets	<b>1,598</b>	1,595
Loss on disposal of fixed assets	—	90
Share of losses from associated companies	<b>77</b>	143
Auditors' remuneration	<b>540</b>	540
	<b>—————</b>	<b>—————</b>
After crediting:		
Interest income on bank deposits	<b>1,324</b>	2,072
Foreign exchange gain, net	—	149
	<b>—————</b>	<b>—————</b>

## 6. TAXATION

### (a) Hong Kong profits tax

There were no Hong Kong profits tax liabilities as the Group did not earn any income assessable to Hong Kong profits tax.

### (b) PRC Enterprise Income Tax ("EIT")

The Company and its subsidiary, Anhui Wantong Technology Development Company Limited ("AWTD"), were registered in the Hefei High Technology Industry Development Zone and certified as a high-tech company by Anhui Science and Technology Bureau. Pursuant to relevant regulations on preferential policies on EIT issued by the Ministry of Finance and the State Taxation Bureau, the applicable EIT rate for the Company and AWTD since 2001 is at a reduced rate of 15%.

The other subsidiaries and associated companies of the Company are subject to EIT levied at a rate of 33% of taxable income based on their audited accounts prepared in accordance with the laws and regulations in the PRC.

During the interim reporting periods, taxation in the condensed consolidated statements of income comprised:

	For the six months ended 30 June	
	2003 RMB'000 (unaudited)	2002 RMB'000 (unaudited)
Income tax expense		
- Current income tax expense	35,489	33,617
- Financial refund	—	(10,660)
	<u>35,489</u>	<u>22,957</u>
Deferred taxation	8,799	8,457
	<u>44,288</u>	<u>31,414</u>

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2003 was based on the unaudited profit after taxation and minority interests of approximately RMB151,409,000 (corresponding period in 2002: RMB160,152,000) divided by the number of 1,658,610,000 shares (corresponding period in 2002: 1,408,610,000 shares) in issue.

The diluted earnings per share was not calculated, because no potential dilutive shares existed.

## 8. CAPITAL EXPENDITURE

	Fixed assets <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Interests in associated companies <i>RMB'000</i>	Investment securities <i>RMB'000</i>	Total <i>RMB'000</i>
Opening net book amount as at 1 January 2003 (audited)	4,547,336	6,320	4,440	18,000	4,576,096
Additions	1,208,673	—	—	—	1,208,673
Disposals	—	—	—	—	—
Depreciation/amortisation	(85,499)	(1,598)	—	—	(87,097)
Share of loss	—	—	(77)	—	(77)
Closing net book amount as at 30 June 2003 (unaudited)	<u>5,670,510</u>	<u>4,722</u>	<u>4,363</u>	<u>18,000</u>	<u>5,697,595</u>

## 9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2003 <i>RMB'000</i> <i>(unaudited)</i>	As at 31 December 2002 <i>RMB'000</i> <i>(audited)</i>
Trade receivable	3,781	3,739
Prepayments	38,216	10,888
Others	28,844	16,217
	<u>70,841</u>	<u>30,844</u>

As at 30 June 2003, all trade receivables are aged within one year.

## 10. TRADE AND OTHER PAYABLES

		<b>As at</b>	As at
		<b>30 June</b>	31 December
	<i>Note</i>	<b>2003</b>	2002
		<b>RMB'000</b>	<i>RMB'000</i>
		<b>(unaudited)</b>	<i>(audited)</i>
Payables on construction, repair and maintenance projects		<b>37,058</b>	71,446
Accruals		<b>42,559</b>	34,426
Advance from customers		<b>19,049</b>	16,251
Welfare payables		<b>4,348</b>	3,753
Other taxation payable		<b>3,238</b>	5,242
Payables to AEHC	14(c)(iv)	<b>451,000</b>	825
Other payables		<b>53,075</b>	73,783
		<b>610,327</b>	205,726

As at 30 June 2003, all the payables on construction, repair and maintenance projects were aged within one year.

## 11. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is RMB1,658,610,000 divided into 1,658,610,000 shares with a par value of RMB1 each.

As at 30 June 2003, details of share capital are as follows:

<b>Shareholder</b>	<b>Percentage</b>	<b>Number of Shares</b>
AEHC	32.48%	538,740,000
Huajian Communication and Economic Development Center	22.72%	376,860,000
Overseas public shares ("H" Shares)	29.73%	493,010,000
Domestically listed RMB ordinary shares ("A" Shares)	15.07%	250,000,000
	<b>100.00%</b>	<b>1,658,610,000</b>

## 12. RESERVES

### (a) *Share Premium*

Share premium represents net assets acquired from AEHC, net of deferred taxation on initial recognition of the net assets, in excess of the par value of state shares issued and proceeds from the issuance of "A" shares and "H" shares in excess of their par value, net of expenses relating to the listing of the shares such as underwriting commissions, organisation expenses, fees for professional advisors and promotional expenses.

### (b) *Statutory Surplus Reserve Fund ("SSRF")*

In accordance with the Company Law and the Company's articles of association, the Company and its subsidiaries shall appropriate 10% of its annual statutory net income (after offsetting any prior years' losses) to the statutory surplus reserve account. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset losses or to issue bonus shares. However, such statutory surplus reserve must be maintained at a minimum of 25% of share capital after such issuance.

### (c) *Statutory Public Welfare Fund ("SPWF")*

According to the relevant financial regulations of the PRC and the Company's articles of association, the Company and its subsidiaries are required to allocate 5% to 10% of its annual statutory net income to a statutory public welfare fund to be used for the collective welfare of the Company and its subsidiaries' employees.

### (d) *Dividends*

	<b>For the six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Interim, proposed	—	70,431

The directors do not recommend the payment of a dividend in respect of the six months ended 30 June 2003 (2002: RMB0.05 per share).

### 13. LONG-TERM PAYABLES MINORITY SHAREHOLDERS SUBSIDIARIES

Long-term payables to minority shareholders of subsidiaries comprised of payables to the minority shareholders of Xuan Guang and Gao Jie, representing their share of total investment in Xuan Guang and Gao Jie in excess of their respective equity contribution in Xuan Guang and Gao Jie. Such long-term payables are unsecured and interest free, and there is no changes in the repayment terms.

### 14. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### (a) Name of related party and relationship

Name	Relationship with the Company
AEHC	Parent company
Tianjin King Fiber Communication Technology Co., Ltd. ("King Fiber")	Associated company
XHMC	Minority shareholder of Xuan Guang
Anlian Expressway Co., Ltd. (ALEC)	Subsidiary of AEHC

#### (b) Related party transactions

The Group had the following significant transaction with the related party:

	For the six months ended 30 June	
	2003 RMB'000 (unaudited)	2002 RMB'000 (unaudited)
Acquisition of Lianhuo Expressway (Anhui Section)	1,180,000	—
Products sold and service rendered to AEHC	1,867	6,445

**14. RELATED PARTY TRANSACTIONS (cont'd)**
**(c) Related party balances**

Pursuant to the acquisition contract signed on 20 June 2001 and the supplementary acquisition contract signed on 28 March 2002 between the Company and AEHC, the Company acquired Lianhuo Expressway (Anhui Section) from AEHC for a total consideration of RMB1,180,000,000 effective from 1 January 2003. As at 30 June 2003, the Company has already made the first instalment of consideration of RMB670 million to AEHC. The remaining consideration will be paid in two instalments as follows: RMB451 million will be made after the audited construction report of Lianhuo Expressway (Anhui Section) is ready and another RMB59 million will be made by the end of July 2004.

## (i) Trade receivables

	<b>As at 30 June 2003 RMB'000 (unaudited)</b>	As at 31 December 2002 RMB'000 (audited)
AEHC	<u>1,017</u>	<u>1,316</u>

## (ii) Other receivables

	<b>As at 30 June 2003 RMB'000 (unaudited)</b>	As at 31 December 2002 RMB'000 (audited)
AEHC	—	551
ALEC	<u>20</u>	<u>1,520</u>
	<u>20</u>	<u>2,071</u>

## (iii) Prepayment

	<b>As at 30 June 2003 RMB'000 (unaudited)</b>	As at 31 December 2002 RMB'000 (audited)
King Fiber	<u>644</u>	<u>544</u>



## 14. RELATED PARTY TRANSACTIONS (cont'd)

## (c) Related party balances (cont'd)

## (iv) Other payables

	<i>Note</i>	<b>As at 30 June 2003 RMB'000 (unaudited)</b>	As at 31 December 2002 RMB'000 (audited)
AEHC	14(b)	451,000	825
XHMC		4,127	7,259
ALEC		2,512	2,739
		<u>457,639</u>	<u>10,823</u>

## (v) Other long term payables

	<i>Note</i>	<b>As at 30 June 2003 RMB'000 (unaudited)</b>	As at 31 December 2002 RMB'000 (audited)
AEHC	14(b)	59,000	—
		<u>59,000</u>	<u>—</u>

## (vi) Long term payables

		<b>As at 30 June 2003 RMB'000 (unaudited)</b>	As at 31 December 2002 RMB'000 (audited)
AEHC		728,583	728,583
XHMC		317,011	317,011
		<u>1,045,594</u>	<u>1,045,594</u>

As at 30 June 2003, amounts due from and due to the related parties, except for long term payables as disclosed in Note 13, other payables due to AEHC as disclosed in Note 14(c)(iv) and other long term payables as disclosed in Note 14(c)(v), mainly arose from the above transactions and payments paid by the Company and related parties on behalf of each other. These amounts are unsecured, interest-free and have no fixed repayment terms.

## 15. IMPACT OF HKGAAP ADJUSTMENT ON NET PROFIT AND NET ASSETS

The Group has prepared a separate set of statutory accounts in accordance with PRC laws and financial regulations ("PRC GAAP"). The differences between PRC GAAP and HKGAAP in the reported balances of net assets and net profit of the Group are summarised as follows:

	Net profit for the six months ended 30 June		Shareholders' equity	
	2003 RMB'000 (unaudited)	2002 RMB'000 (unaudited)	30 June 2003 RMB'000 (unaudited)	31 December 2002 RMB'000 (audited)
As reported in the statutory accounts	121,662	134,741	3,673,862	3,552,200
HKGAAP adjustments:				
Valuation and depreciation of toll roads	34,598	29,632	632,399	597,801
Valuation and amortisation of land use right	3,948	4,234	92,568	88,620
Recognition of dividends declared after the balance sheet date	—	—	—	49,758
Deferred taxation	(8,799)	(8,456)	(138,924)	(130,125)
Organization expenses	—	—	—	—
Recognition of financial refund	—	—	—	—
As reported under HKGAAP	<u>151,409</u>	<u>160,151</u>	<u>4,259,905</u>	<u>4,158,254</u>

## 16. COMMITMENTS

As at 30 June 2003, the Company had capital commitment authorised but not contracted amounting to approximately RMB28,000,000.

## 17. SUBSEQUENT EVENT

The Company and XHMC entered into a Capital Increase Agreement and Sale and Purchase Agreement on 11 August 2003. Pursuant to such agreements, XHMC injected the assets of Xuanzhou South Ring Road to Xuan Guang at a consideration of RMB398.800 million, RMB39.880 million of which will be capitalized as registered capital of Xuan Guang while the remaining RMB358.920 million will be treated as shareholder's loan to Xuan Guang. Upon completion of the Capital Increase, the registered capital of Xuan Guang increased to RMB111.76 million, among which RMB36.66 million will be owned as to 32.8% by the Company, and the remaining RMB75.10 million will be owned as to 67.2% by XHMC. In addition, XHMC had a shareholder's loan of RMB675.90 million to Xuan Guang.

Pursuant to the Sale and Purchase Agreement, the Company agrees to acquire from XHMC its interests in Xuan Guang, comprising registered capital of an amount of RMB25.335 million and benefit of shareholder's loan of RMB228.015 million. Thus, upon completion of the Capital Increase and Acquisition, the registered capital of Xuan Guang will increase to RMB111.76 million, among which an amount of RMB61.995 million will be owned as to 55.47% by the Company, and the remaining RMB49.765 million will be owned as to 44.53% by XHMC. The shareholder's loans will increase to RMB920.18 million, among which RMB472.295 million was held by the Company and the remaining RMB447.885 million was held by XHMC.

## VII DOCUMENTS AVAILABLE FOR INSPECTION

1. The original copy of the Interim Report signed by the Chairman;
2. The accounts, signed by the legal representative, accountant director in charge of accounting, and accounting director and tamped with corporate seal;
3. The original copies of corporate documents and announcements published in the Shanghai Securities Post, China Securities Post, the South China Morning Post and the Wen Wei Po;
4. The Articles of Association;
5. The copy of the Interim Report disclosed in other securities market;
6. Other relevant materials.

By Order of the Board

**Wang Shui**

*Chairman*

22 August 2003