

**CONTENTS**

I	Corporate Profile	3
II	Shareholders and Change of Share Capital	7
III	Directors, Supervisors and Senior Management	10
IV	Management Discussion and Analysis	11
V	Major Events	21
VI	Accounts (unaudited)	28
VII	Documents Available for Inspection	44

## 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 Chinese name of the Company                      | : | 安徽皖通高速公路股份有限公司  |
| English name of the Company                                  | : | 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 and office address of the Company      | : | 669 Changjiang West Road, Hefei, Anhui, the PRC                                     |
| Postal code  | : | 230088  |
| Business address of the Company in Hong Kong                 | : | 5th 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                                | : | wtgs@anhui-expressway.com.cn  |
| 4. Legal representative of the Company                       | : | Wang Shui   |

5. Company Secretary : Xie Xinyu
- Telephone : 0551- 5338681
- Representative of Securities Affairs : Han Rong and Ding Yu
- Telephone : 0551-5338697 (direct) 0551-5338699 (switchboard)
- Fax : 0551-5338696
- E-mail address : wtgs@anhui-expressway.com.cn
- Contact address : 669 Changjiang West Road, Hefei, Anhui, the PRC
6. Newspapers designated for publishing reports : Shanghai Securities Post, China Securities Post,  
Hong Kong Wen Wei Po, South China Morning Post
- 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,  
669 Changjiang West Road,  
Hefei, Anhui, the PRC

## 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)

Items	For the six months ended 30 June		
	2004	2003	Change
Net profit	<b>179,695,431.41</b>	121,662,124.47	47.70%
Net profit after extraordinary items	<b>179,822,377.04</b>	121,761,996.79	47.68%
Net cash flows from operating activities	<b>371,040,839.67</b>	228,008,988.32	62.73%
Earnings per share (fully diluted)	<b>0.1083</b>	0.0734	47.55%
Returns on net assets	<b>4.59%</b>	3.31%	38.67%

Notes: Extraordinary items deducted and amounts involved:

Items	2004	2003
(1) Investment income	<b>68,810.51</b>	(65,844.57)
(2) Non-operating income	<b>186,295.49</b>	12,718.81
(3) Non-operating expenses	<b>(402,960.36)</b>	(46,746,.56)
(4) Taxation of extraordinary items	<b>20,948.73</b>	—
Total:	<b>(126,905.63)</b>	(99,872.32)

Items	As at	As at	Change
	30 June 2004	31 December 2003	
Current assets	<b>533,250,519.60</b>	567,653,107.03	-6.06%
Current liabilities	<b>964,159,438.05</b>	991,523,796.47	-2.76%
Total assets	<b>6,267,681,977.03</b>	6,214,884,813.73	0.85%
Net asset per share	<b>2.36</b>	2.31	2.16%
Adjusted net asset per share	<b>2.36</b>	2.31	2.16%
Shareholders' interests (Excluding minority interests)	<b>3,918,039,541.49</b>	3,837,860,710.08	2.09%

### 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

	For the six months ended 30 June		
	2004	2003	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Turnover	<b>541,007</b>	388,924	39.10%
Operating profit before taxation	<b>278,200</b>	195,429	42.35%
Profit attributable to shareholders	<b>215,236</b>	151,409	42.16%
Basic earnings per share (RMB)	<b>0.1298</b>	0.0913	42.17%

#### Summary of Assets

	As at	As at	Change
	30 June 2004	31 December 2003	
	<i>RMB'000</i>	<i>RMB'000</i>	
Total assets	<b>7,082,869</b>	6,984,636	1.41%
Total liabilities	<b>2,298,606</b>	2,316,075	-0.75%
Total net assets	<b>4,575,678</b>	4,459,959	2.59%
Net assets per share (RMB)	<b>2.76</b>	2.69	2.60%

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

	Net assets	Net Profit
	As at	For the
	30 June 2004	six months
	<i>RMB'000</i>	ended
		30 June 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Amount reported in accordance with the PRC Accounting Standards	<b>3,918,041</b>	179,695
Adjustments made in accordance with the Hong Kong Accounting Standards:		
1. Valuation of expressways and buildings and their depreciation	<b>708,399</b>	43,775
2. Valuation of land use rights and their amortization	<b>106,786</b>	1,661
3. Deferred taxation	<b>(157,548)</b>	(9,895)
Adjusted amounts as reported under the Hong Kong Accounting Standards	<b>4,575,678</b>	215,236

## II SHAREHOLDERS AND 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 2004, there were 69,491 shareholders of the Company, which comprise one state-owned shareholder, one state-owned legal person shareholder, 69,383 A shareholders and 106 H shareholders.
3. Person who have interests of short positions disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

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.

As at 30 June 2004, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons who were, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were set out as follows:

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%	None
Huajian Transportation Economic Development Center	376,860,000	0	State-owned legal person shares	22.72%	None

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any options in respect of such capital as at 30 June 2004.

4. As at 30 June 2004, the ten largest shareholders of the Company were as follows:

Rank	Names	Increases or Decreases during period	At the end of period (shares)	Percentage (%)	Type of shares	Number of shares pledged or locked-up	Nature of shareholders
1	Anhui Expressway Holding Corporation ("AEHC")	No	538,740,000	32.48%	Unlisted	No	State-owned shares
2	HKSCC NOMINEES LTD (agent)	+1,489,900	484,657,898	29.22%	Listed	Not known	H shares
3	Huajian Transportation Economic Development Center	No	376,860,000	22.72%	Unlisted	No	State-owned legal person shares
4	HuabaoXingye Multi-strategy Increase Securities Investment Fund	+8,900,608	8,900,608	0.54%	Listed	Not known	A shares
5	ARSENTON NOMONEES LTD (agent)	No	4,802,000	0.29%	Listed	Not known	H shares
6	National Social Insurance Fund-108 Composition	+4,442,213	4,442,213	0.27%	Listed	Not known	A shares
7	Jiashi Service Increase Industry Securities Investment Fund	+3,578,681	3,578,681	0.22%	Listed	Not known	A shares
8	Guolian Andesheng Xiaopan carefully-chosen Securities Investment Fund	+2,696,129	2,696,129	0.16%	Listed	Not known	A shares
9	Boshi carefully-chosen Securities Investment Stock Fund	+2,575,211	2,575,211	0.16%	Listed	Not known	A shares
10	Jingye Securities Investment Fund	+2,550,855	2,550,855	0.15%	Listed	Not known	A shares

*Notes:*

- 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 ascertained.
- 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.
- 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.
- Anhui Expressway Holding Corporation holds shares on behalf of the State.
- 484,657,898 H Shares are held by HKSCC NOMINEES LTD (agent), which holds such shares on behalf of numerous clients. The Company is not aware of any of the clients who hold more than 5% of the total share capital.



5. As at 30 June, 2004, the shareholding of the ten largest shareholders with listed shares was as follows:

Rank	Names	Number of listed shares at the end of the period	Type
1	HKSCC NOMINEES LTD (agent)	484,657,898	H Shares
2	HuabaoXingye Multi-strategy Increase Securities Investment Fund	8,900,608	A Shares
3	ARSENTON NOMONEES LTD (agent)	4,802,000	H Shares
4	National Social Insurance Fund-108 Composition	4,442,213	A Shares
5	Jiashi Service Increase Industry Securities Investment Fund	3,578,681	A Shares
6	Guolian Andesheng Xiaopan carefully-chosen Securities Investment Fund	2,696,129	A Shares
7	Boshi carefully-chosen Stock Securities Investment Fund	2,575,211	A Shares
8	Jingye Securities Investment Fund	2,550,855	A Shares
9	Jingshunchangcheng carefully-chosen Stock Securities Investment Fund	2,468,397	A Shares
10	Jingfu Securities Investment Fund	1,999,986	A Shares

*Notes:* The Company does not aware of any connected relationship among the first ten largest listed shareholders of the Company.

6. During the reporting period, there was no change in the controlling shareholders in the Company.

7. Purchase, Sale and redemption of the Company's Shares

As at 30 June 2004, the Company did not repurchase any of its listed shares, nor purchased or re-sold any listed shares of the Company.

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

As at 30 June 2004, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in any shares, or underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (including interests which he was taken or deemed to have under such provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or which were required, pursuant to section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws Of Hong Kong), to be entered in the register referred to therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and the Takeovers Code.

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

During the reporting period, there was no change of Directors, Supervisors and Senior Management

## IV MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Business Review during the Reporting Period

#### 1 Business Review

##### (a) Results Summary

The Company is principally engaged in holding, operating and developing the toll expressways and highways in Anhui Province as well as outside Anhui Province. During the reporting period, the Company is principally engaged in operating and managing Hening Expressway (134 km), Gaojie Expressway (110 km), Xuanguang Expressway (84 km), Lianhuo Expressway Anhui Section (54 km) and National Trunk 205 Tianchang Section (30 km) with a total mileage of 412 kilometers. Most of the highways held by the Company are the east-west national trunks which play an important part in the road transportation.

During the period under review, the various businesses of the Group grew rapidly. In accordance with the PRC Accounting Standards, income from principal operations of RMB564,752,000 was achieved, representing an increase of 37.69% compared with that of the corresponding period of last year. Unaudited net profit of the Company reached RMB179,695,000, representing an increase of 47.70% compared with that of the corresponding period of last year. Earnings per share was RMB0.1083 representing an increase of 47.55% compared with that of the corresponding period of last year. In accordance with the Hong Kong Accounting Standards, a turnover of RMB541,007,000 was achieved, representing an increase of 39.10% compared with that of the corresponding period of last year. Unaudited profit attributable to shareholders of RMB215,236,000 was achieved, representing an increase of 42.16% compared with that of the corresponding period of last year. Earnings per share was RMB0.1298, representing an increase of 42.17% compared with that of the corresponding period of last year.

During the reporting period, the various operations of the Group are as follows (In accordance with the PRC Accounting Standards):

*Unit: RMB'000*

Items	Operating income	Percentage to total income	Change
Hening Expressway	215,151	38.10%	21.15%
National Trunk 205 New Tianchang Section	31,327	5.55%	4.50%
Gaojie Expressway	106,574	18.87%	13.16%
Xuanguang Expressway	105,845	18.74%	84.73%
Lianhuo Expressway Anhui Section	52,290	9.26%	73.57%
Other business income	53,565	9.48%	155.23%
Total	564,752	100%	37.69%

**(b) Analysis on Operational Environment****Macro-economic Environment**

In the first half of this year, the overall national economy did well and the macro control policy achieved a significant result. During the reporting period, the total GDP of the PRC achieved an increase of 9.7% compared with that of the corresponding period of last year and the GDP of Anhui Province increased 13.5%, compared with that of corresponding period of last year. The positive macro-economic environment improves the development of road transportation and the increase of traffic volumes promotes the increase of toll income.

**Integrated Governance of Vehicles' Overloading**

For the establishment of healthy, systematic, fair and organized market for road transportation, effective maintenance, production and usage of vehicle, and protection of road facilities and public traffic safety, the Department of Communications, Public Security Department, Development Reform Committee, the Quality Examination Bureau, the Security Supervision Bureau, the Industry and Commerce Main bureau and the Legal Department have jointly enforced against overloading of the vehicles since 20 June 2004. They strongly fight against illegal acts such as overloading, "large vehicle paid for small amount" and illegal installation. They intend to use one year to prohibit the overloading and correct the misstatement of the vehicle's tonnage. In about three years of integrated governance, they will try to resolve the overloading problem fundamentally, and eliminate the "large vehicle paid for small amount" and illegal installation issues. The road transportation will become more systematic and the road transportation price will become fairer. This will gradually develop an open, fair and healthy market for road transportation. The Group believes that the above measures will have a long-term positive impact on the road transportation industry.

**Adjustment to the Vehicles Classification and the Toll Rates**

On 17 June 2004, the Company received the Notice of the Toll Rates for the Standardized Vehicles Classification on Expressways, Wan Jia Fei [2004] No. 168, issued by the Commodity Price Bureau of Anhui Province and Anhui Provincial Department of Communications. Pursuant to the principle of the document, with effect from 1 July 2004 the tolls collected by the Group's Hening Expressway, Gaojie Expressway, Xuanguang Expressway and Lianhuo Expressway (Anhui Section), will be based on the new vehicles classification and toll rates.

Specific Adjustment to the Vehicles Classification and Toll Rates are as follows:

**Original toll rates:**

*Unit: RMB/km*

Vehicles type	Classification		Toll rates
	Passenger vehicles	Goods vehicles	
Small	20 seats or below	2.5 tons or below	0.40
Medium	Between 20 and 35 seats	Between 2.5 tons and 7 tons	0.70
Large	Above 35 seats	Between 7 tons and 15 tons	1.00
Special		Between 15 tons and 40 tons	1.80
Special Large		Above 40 tons	1.80

Note: Special large goods vehicles for every 10 tons in excess, additional RMB 10 will be charged for each kilometer.

**New toll rates:**

*Unit: vehicle km*

Vehicles type	Classification		Toll rates
	Passenger vehicles	Goods vehicles	
Type 1	7 seats and below (including 7 seats)	2 tons and below (including 2 tons)	0.40RMB
Type 2	Between 8 seats and 19 seats	Between 2 tons and 5 tons (including 5 tons)	0.70RMB
Type 3	Between 20 seats and 39 seats	Between 5 tons and 10 tons (including 10 tons)	1.00RMB
Type 4	40 seats and above (including 40 seats)	Between 10 tons and 15 tons (including 15 tons)	1.40RMB
Type 5		20 feet container	1.20RMB
		Above 15 tons 40 feet container	1.60RMB 1.40RMB

## 2 Toll Roads Business

During the reporting period, the Group achieved the total toll income of RMB511,187,000, accounting for 90.52% of the total revenue, representing an increase of 31.53% over previous year.

**Analysis of Toll Roads Operations are set out as follows:**

### (1) Financial Statistics (In accordance with the PRC Accounting Standards)

*Unit: RMB'000*

Items	Income from principal operations		Costs of principal operations		Gross profit margin	Operating Profit		
		Change		Change		Change	Profit	Change
Hening Expressway National Trunk 205	215,151	21.15%	73,962	3.94%	60.58%	11.01%	101,965	8.54%
New Tianchang Section	31,327	4.50%	11,635	28.11%	57.80%	-10.18%	13,723	-9.18%
Gaojie Expressway	106,574	13.16%	53,112	16.68%	44.66%	-3.38%	44,518	9.12%
Xuanguang Expressway	105,845	84.73%	37,206	47.88%	59.27%	17.23%	56,290	126.13%
Lianhuo Expressway								
Anhui Section	52,290	73.57%	27,845	28.21%	41.70%	84.92%	16,109	82.00%
Total	511,187	31.35%	203,760	18.02%	54.89%	9.28%	232,605	47.23%

### (2) Converted average daily traffic volumes for entire journey (vehicle/per day)

Items							Average for six months ended	Change
	January	February	March	April	May	June	30 June	
Hening Expressway National Trunk 205	15,885	15,021	12,770	13,078	12,130	11,563	13,408	24.07%
New Tianchang Section	13,698	13,177	12,387	12,897	12,481	11,596	12,706	10.95%
Gaojie Expressway	8,501	8,862	8,571	8,961	8,182	7,641	8,453	12.47%
Xuanguang Expressway	9,015	9,463	9,369	8,638	6,739	6,779	8,334	54.20%
Lianhuo Expressway								
Anhui Section	5,501	6,779	7,053	8,053	7,771	7,122	7,047	79.05%

**(3) Average Daily Toll Income (RMB'000/per day)**

Items	January	February	March	April	May	Average for six months ended		Change
						June	30 June	
Hening Expressway	1,363	1,338	1,221	1,164	1,080	1,027	1,181	20.39%
National Trunk 205								
New Tianchang Section	179	187	172	176	167	157	172	3.61%
Gaojie Expressway	559	617	602	626	567	542	585	12.50%
Xuanguang Expressway	607	722	665	618	428	429	577	83.17%
Lianhuo Expressway								
Anhui Section	210	273	291	335	317	296	287	72.89%

During the reporting period, the toll income of the Group increased 31.53% over the corresponding period of last year, among all the roads owned by the Group, the toll income of Xuanguang Expressway, Lianhuo Expressway Anhui Section and Hening Expressway achieved a stronger growth.

The toll income of Xuanguang Expressway increased 84.73% over the corresponding period of last year, which was mainly attributed to the consolidation of the Xuanguang Expressway South Ring Road to the Group and the traffic opening of Wuhu to Xuanzhou Expressway, which links Xuanguang Expressway. The completion of Wuhu to Xuanzhou Expressway makes the transportation to Zhejiang Province more convenient, and the road network takes shape.

The toll income of Lianhuo Expressway Anhui Section increased 73.57% over the corresponding period of last year, which was mainly attributed to the completion and opening of Hexu Expressway, Lianhuo Expressway Jiangsu Section and Henan Section, which link to the Lianhuo Expressway Anhui Section.

Hening Expressway is still the main toll income source of the Group. During the reporting period, the toll income of Hening Expressway increased 21.15% over the corresponding period of last year, which was mainly attributed to the smooth progress of reconstruction of Hening Expressway and a less negative impact on the Group compared with the corresponding period of last year, and the traffic volumes gradually resume.

**3 Operating results of major companies with capital injection from the Group (In accordance with the PRC Accounting Standards):**

Unit: RMB'000

	Income from principal operations	Costs of principal operations	Operating profit	Net profit
Gaojie Expressway Company Limited ("Gaojie Expressway")	106,574	53,112	44,518	30,359
Xuanguang Expressway Company Limited ("Xuanguang Expressway")	105,845	37,207	56,290	37,725

**4 Other Businesses**

As at 30 June 2004, the revenue of the Company excluding the toll income amounted to RMB53,565,000, which was mainly attributed to the installation service income of Anhui Wantong Science and Technology Company Limited ("Wantong Technology").

**2. Investments**

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

The Company utilised the net proceeds of RMB 526,960,000, for the acquisition of Lianhuo Expressway Anhui Section from AEHC. The last instalment of RMB 59,000,000 was paid to AEHC on 28 June 2004. Up to 28 June 2004, the Company has paid the entire consideration of RMB 1,180,000,000 to AEHC according to the Acquisition Contract.

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

The reconstruction of Hening Expressway is expected to be completed by the end of this year. During the reporting period, total of 21 km has been reconstructed, and total amount of RMB182,002,000 has been invested in the reconstruction.



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

#### Operation results

	For the six months ended 30 June		
	2004 (RMB'000)	2003 (RMB'000)	change
Income from principal operation, net	<b>537,432</b>	388,924	38.18%
Operating costs	<b>253,616</b>	190,750	32.96%
Operating profits	<b>232,912</b>	157,001	48.35%
Investment income	<b>69</b>	(78)	188.46%
Finance income (net)	<b>(2,023)</b>	1,320	-253.26%
PRC enterprise income tax	<b>53,086</b>	35,489	49.58%
Net profit	<b>179,695</b>	121,662	47.70%

The increase of net profit was mainly attributed to the increase of revenue from principal operations. The increase of net profit was higher than that of revenue from principal operations because the increase of income was faster than that of costs.

#### Income from principal operation, net

	For the six months ended 30 June		
	2004 (RMB'000)	2003 (RMB'000)	change
Income from principal operation	<b>564,752</b>	410,162	37.69%
Less: business tax and surcharge	<b>27,320</b>	21,238	28.64%
Income from principal operation, net	<b>537,432</b>	388,924	38.18%

The income from principal operations (net) increased mainly because that the toll income of all the roads of the Company increased to some extent, and that the toll income of Xuanguang Expressway South Ring Road was consolidated into the Company since August 2003.

**Operating costs**

	<b>For the six months ended 30 June</b>		
	<b>2004</b>	2003	change
	<b>(RMB'000)</b>	(RMB'000)	
Total operating costs	<b>253,616</b>	190,750	32.96%
Included: Depreciation and amortization	<b>145,251</b>	130,251	11.52%
Roads maintenance expenses	<b>52,660</b>	42,306	24.47%
Other operating costs	<b>55,705</b>	18,193	206.19%

The increase of depreciation and amortization was mainly due to the acquisition of Xuanguang Expressway South Ring Road in August 2003 and the depreciation of related assets increased accordingly. In addition, the improvement of Hening Expressway was completed in December 2003, and the Company provided depreciation for related assets thereafter.

The road maintenance expenses increase year by year as the operation life of the road matures and the traffic volumes increase. The Company acquired Xuanguang Expressway South Ring Road in August 2003, and the maintenance expenses of the road also led to the increase of overall maintenance expense.

The increase of other operating expenses was mainly because of the increase of Wantong Technology expenses. During the reporting period, the toll system installation income of Wantong Technology increased by RMB32,578,000, and the operating expenses increased by RMB31,746,000.

**Finance Income (net)**

	<b>For the six months ended 30 June</b>		
	<b>2004</b>	2003	change
	<b>(RMB'000)</b>	(RMB'000)	
Finance Income (net)	<b>(2,023)</b>	1,320	-253.26%

The finance income (net) decreased mainly because the Company borrowed loans to finance its operating activities and the interest expense increased accordingly.

## Taxation

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. Pursuant to relevant tax laws and regulations, the applicable EIT rate for the Company and AWTD 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.

## Financial Analysis

	<b>30 June</b>	31 December
	<b>2004</b>	2003
Total assets (RMB'000)	<b>6,267,682</b>	6,214,885
Net assets (RMB'000)	<b>3,918,040</b>	3,837,861
Returns on the shareholder's equities	<b>4.59%</b>	7.38%
Gearing ratio	<b>34.16%</b>	34.89%
Current ratio	<b>0.5531</b>	0.5725
Quick ratio	<b>0.5236</b>	0.5544
Cash ratio	<b>0.4679</b>	0.5150

## Cash flow information

Cash flow information	<i>(RMB'000)</i>
Net cash inflow from operating activities	<b>371,041</b>
Net cash inflow from dividends, other incomes received	
from jointly controlled entities	—
Cash outflow for capital expenditure	<b>(259,446)</b>
Net cash outflow of bank borrowings	<b>(52,000)</b>
Government grants	—
Cash outflow for short-term investment	—
Dividends paid	<b>(103,259)</b>
Others	<b>(10,858)</b>
Net decrease in cash and cash equivalents for the six months ended 30 June 2004	<b>(54,522)</b>

During the reporting period, the Group had an outstanding bank loan of RMB575,000,000 and the capital commitments of RMB114,000,000, for which the Group has made sufficient financial arrangements to repay the above items. In view of the capital commitments, the Group will use its existing funds or bank loans to resolve it, and does not have any direct financing plans.

During the reporting period, the Group did not use any financial instrument for hedging purpose.

### Capital Structure

	As at 30 June 2004		As at 31 December 2003	
	Amount (RMB'000)	Percentage	Amount (RMB'000)	Percentage
Current liabilities	<b>964,159</b>	<b>15.38%</b>	991,523	15.95%
Long-term liabilities	<b>1,176,899</b>	<b>18.78%</b>	1,176,899	18.94%
Shareholder's equity	<b>3,918,040</b>	<b>62.51%</b>	3,837,861	61.75%
Minority interest	<b>208,584</b>	<b>3.33%</b>	208,602	3.36%
Total	<b>6,267,682</b>	<b>100%</b>	6,214,885	100%

Details of the loans remaining outstanding as at 30 June 2004, is disclosed in notes 10 of the condensed accounts. As at 30 June 2004, the loans were at fixed interest rates.

The Groups borrows are primarily denominated in Renminbi; while its cash and cash equivalent are mainly held in Renminbi.

### Contingent Liabilities

During the reporting period, the Group does not have any contingent liabilities.

### Contingent Asset Pledge

During the reporting period, the Group does not have any arrangement of assets pledged.

## 4. Staff

As at 30 June 2004, the Company had a total of 882 full-time employees, of which 160 were in Management, 147 in Engineering, 495 in Toll-collection and 80 in Maintenance. Among the above staff, there were 6 masters, 92 university graduates, 127 tertiary educated, representing 25.51% of the total staff.

As at 30 June 2004, the Company has borne the costs of 10 retired employees.

## 5. Business Outlook

Rapid development in the economy of the State and Anhui Province, the increase in the possessions of vehicles and expressway mileage, and prominent effect of the growing expressways network have provided a positive environment for the development of the Group. Looking forward to the future, on one hand, the Group will make good use of its seasoned industry management experience to exploit growth potential and reduce operating costs, on the other hand, the Company will continue to enlarge its principal business and ensure its continued operations by looking for good-quality roads continuously. The Group's objective is to become major infrastructure construction company with distinct principal business, stable operations, perfect governance structure and good management which enables the shareholders to share the fruitful results of the rise of roads industry and Chinese economy.

## V MAJOR EVENTS

### 1. Corporate Governance

During the reporting period, the Company conducts its corporate operations according to the governance requirements of China Securities Regulatory Committee and The Stock Exchange of Hong Kong Limited. The Company establishes sound governance structure and good operating system to guarantee healthy development of the Company. The Company will also take a further step to attach greater importance to the information disclosure and the investor relationship management, and make announcements of major events in operating management in time so as to make all the investors gain the corporate information promptly and comprehensively.

### 2. Profit Appropriation for 2004 Interim

The Board of Directors of the Company recommends that the Company will neither pay the dividends for six months as at 30 June 2004 nor transfer the capital surplus to share capital.

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

2003 profit appropriation plan of the Company was approved by the 2003 Annual General Meeting held on 27 April 2004, and details are as follows: To pay a final dividend of RMB99,516,600 on the basis of RMB0.6 for every 10 shares (tax inclusive) based on the total number of shares outstanding at the end of 2003 of 1,658,610,000 shares.

According to the authorization by the General Meeting, on 28 April 2004, the Board of Directors of the Company published the resolutions of 2003 General Meeting in the Shanghai Securities Post, China Securities Post, Hong Kong Wen Wei Po and Hong Kong South China Morning Post and determined a dividend of HK\$0.057, which was priced in RMB and paid in HK\$. The registration date of the H Shareholders was 25 March 2004 and the dividend payout date was 20 May 2004. On 14 June 2004, the Company published the 2003 profit appropriation implement announcement in the Shanghai Securities Post and the China Securities Post and determined that the A Shareholders' registration date was 17 June 2004 the ex-dividend date was 18 June 2004 and the dividend payout date of 24 June 2004.

The 2003 profit allotment scheme has been implemented.

### 4. Material Litigation and Arbitration

The Company, its subsidiaries and associates were 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 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 resource.

In 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).

As at 30 June 2004, the Company has paid the entire consideration to AEHC according to the Acquisition Contract.

From the date of start of road traffic of Lianhuo Expressway (Anhui Section), the traffic volumes of Lianhuo Expressway (Anhui Section) increase gradually. For the six months ended 30 June 2004, the total revenue of Lianhuo Expressway (Anhui Section) amounted to RMB120,808,000.

## 6. Other Assets Proposal Events

### *Transfer of shares in Anhui Wantong Science and Technology Development Company Limited ("Wantong Technology")*

Wantong Technology is a subsidiary of the Company with the registered capital of RMB20,000,000. The Company's capital injection was RMB15,100,000, accounting for 75.5% of the total capital. On 25 June 2004, the Company and Anhui Guoyuan Trust and Investment Company Limited ("Guoyuan Trust") entered into an agreement (the "Agreement") of transferring the said 75.5% equities. Anhui Guoxin Assets Evaluation Company Limited carried on an evaluation of the assets of Wantong Technology as at 31 December 2003, the revalued net assets value was RMB24,694,600. The transfer consideration of RMB18,644,400 was determined according to the amount of equities owned by the Company in Wantong Technology. The Agreement has been approved by the Board of directors of the Company and the Agreement has been effective with the approval of relevant government bodies. After the share transfer, the Company will hold no equity in Wantong Technology. According to the Agreement, Anhui Guoyuan Trust and Investment Company Limited shall pay the consideration in a lump-sum to the Company within three months from the date of entering into the Agreement. If Anhui Guoyuan Trust and Investment Company Limited does not honor its payment obligation, the Company has the right not to assume any legal responsibility and terminate the Agreement unilaterally. The Company will then continue to hold the 75.5% equities.

### *Liquidation and Deregistration of Beijing Haiwei Investment Company Limited ("Haiwei Company")*

Haiwei Company is a subsidiary of the Company with the registered capital of RMB50,000,000. The Company's capital injection was RMB35,000,000, accounting for 70% of the total capital. In April 2004, all shareholders of Haiwei Company reached a consensus to end its operations, liquidate Haiwei Company and draw back investments. According to the result of liquidation, the Company took back the investment of RMB34,870,000. As at 30 June 2004, the liquidation procedures of Haiwei Company in respect of legal and taxation matters have been completed.

## 7. Connected Transactions

During the reporting period, connected transaction of the Company was as follows:

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 2004, the Company has paid the entire consideration to AEHC;

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

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

1. The transactions were carried out in the normal and usual course of business of the Company;
2. 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 concerned; and
3. the transactions were carried out in accordance with the terms of agreement governing such transactions.

## 9. Material Contracts and their Implementation

### 1. *Material custody, subcontracting and leasing items*

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

### 2. *Material guarantee*

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

### 3. *Financial entrustment*

During the reporting period, the Company was not involved in any financial entrustment business.

### 4. *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 matured.

## 10. The capital allocation between the Company's controlling shareholders and their subsidiaries

The creditor's rights and liabilities between the Company and related parties were developed from daily normal activities, the related parties have not been in breach of regulations for fund misappropriation within the Company. The creditor's rights and liabilities between the Company and related parties will have no negative effect on the Company's operation results and financial situation.

## 11. Independent directors' independent opinion and specific explanation on the accrual and external guarantee position, illegal guarantee position and implementation of the document of Zheng Jian Fa [2003] No.56 issued by the China Securities Regulatory Committee

Being the independent director of the Company, we have pursuant to the provisions of the Notice in respect of the problem of Movement of Fund between Listed Company and Related party and external guarantee (Zheng Jian Fa [2003] No.56) and The Notice issued by Shanghai Stock Exchange in respect of the good preparation of 2004 interim report investigate the relevant situation and listen to the opinion of the Board of Directors, supervisory committee and management of the Company. Based on the said basis, we have the following independent opinion and specific explanation on the accrual calculation, current external guarantee position and implementation of the document of Zheng Jian Fa [2003] No.56.

### (1) *Specific explanation*

1. The movement of fund among the Company, the controlling shareholder and other related parties have strictly adhered to the requirement of the document of Zheng Jian Fa [2003] No.56. There is no misappropriation of fund by related parties.
2. The Company has strictly control its risk for external guarantee. The Company has not provided guarantee for the controlling shareholder or any related party, in which the Company has less than 50% interests, unincorporated body or person.
3. We have already stated specific explanation on the accrual calculation, current external guarantee position and implementation of the document of Zheng Jian Fa [2003] No.56 in the 2003 Annual Report of Anhui Expressway Company Limited. We have also stated our independent opinion in the Annual Report 2003 of Anhui Expressway Company Limited.

### (2) *Specific explanation*

1. The movement of fund between the Company and related parties arose from normal operation activities and there is no advance of wages, social welfare, insurance, advertisement paid by the Company for any related parties. The Company has not borne the costs and other expenses of related parties.



2. The Company have not directly or indirectly supplied fund to related party on the following situation:
  - (i) To lend the fund of the Company to related party for its use whether with or without consideration;
  - (ii) To provide entrusted loan to related party through bank or non-banking financial institution;
  - (iii) To authorise related party to conduct investment activities on behalf of the Company;
  - (iv) To issue commercial notes to related party without economic substance;
  - (v) To repay debts on behalf of related party.
3. The Company has not provided guarantee for any external parties.

Independent director: **Zhang Liping, Cao Deyun and Song Youming**

5 August 2004

## 12. Commitments

- (1) Pursuant to the Reorganization Agreement signed by the Company and AEHC on 12th 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.
- (2) 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 RMB14,000,000.
- (3) The Group plans to complete the reconstruction of Hening Expressway at the end of 2004, The sum contracted but not yet paid was RMB100,000,000.

## 13. 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.

## 14. Other Major Events

### 1. *Basic Medical Insurance*

During the reporting period, the enterprises and institutions in Hefei City 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 City, Anhui, where the Company is located. The Company plans to start to contribute the said medical insurance from 2004 and the Company has no responsibilities to recontribute the medical insurance of previous 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 from February 2002.

### 2. *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. The Company 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 Company.

During the reporting period under review, the Company has contributed 20% of 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.

### 3. *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 for the six months end 30 June 2004.

For the six months end 30 June 2004, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code For Securities Transactions by Directors of Listed Issuers. The Company having made specific enquiry of all directors and supervisors, its directors and supervisors have complied with the required standard set out in the Model Code For Securities Transactions by Directors of Listed Issuers and its code of conduct regarding directors' securities transactions.

### 4. *The Audit Committee*

During the reporting period, three meetings of the Audit Committee were held by the Company for examining and approving the 2003 results report, 2003 financial report and 2004 first quarterly financial report as well as the 2004 Interim Results and 2004 Unaudited Interim Accounts.

## 15. Other Information Index

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

1. The Resolution Announcement of the 7th Session of the Third Board meeting, the Resolution Announcement of the 5th Session of the Third Supervisory Committee meeting and the notification of the 2003 Annual General Meeting were published on 12 March 2004;
2. The Resolution Announcement of 2003 Annual General Meeting was published on 28 April 2004;
3. The announcement of the change of the office address of the Company and the change of the principal place of business in Hong Kong was published on 18 May 2004;
4. The 2003 dividend payment announcement was published on 14 June 2004;
5. The announcement in relation to the adjustment of vehicles classification and toll rates was published on 29 June 2004.

## VI ACCOUNTS

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

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

	Note	For the six months ended 30 June	
		2004 (unaudited)	2003 (unaudited)
Turnover		541,007	388,924
Cost of sales		(210,577)	(152,204)
<b>Gross profit</b>		<b>330,430</b>	236,720
Other Revenue		4,154	6,881
Distribution costs		(612)	(416)
Administrative expenses		(51,967)	(45,355)
Other operating expenses		(1,013)	(2,324)
<b>Operating profit</b>		<b>280,992</b>	195,506
Finance costs		(2,994)	—
Share of profits (losses) from associated companies		202	(77)
<b>Profit before taxation</b>	4	<b>278,200</b>	195,429
Taxation	5	(62,981)	(44,288)
<b>Profit after taxation</b>		<b>215,219</b>	151,141
Minority interests		17	268
<b>Profit attributable to shareholders</b>		<b>215,236</b>	151,409
Dividends	12	—	—
Basic earnings per share	6	<b>RMB0.1298</b>	RMB0.0913

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2004

(Amounts expressed in thousands of Renminbi)

	<i>Note</i>	<b>As at 30 June 2004 (unaudited)</b>	As at 31 December 2003 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	<b>3,374</b>	3,707
Fixed assets	7	<b>6,524,196</b>	6,391,429
Interests in associated companies	7	<b>4,048</b>	3,846
Investment securities	7	<b>18,000</b>	18,000
		<hr/> <b>6,549,618</b> <hr/>	<hr/> 6,416,982 <hr/>
<b>Current assets</b>			
Inventories		<b>28,397</b>	17,904
Trade and other receivables	8	<b>53,737</b>	39,135
Bank balances and cash		<b>451,117</b>	510,615
		<hr/> <b>533,251</b> <hr/>	<hr/> 567,654 <hr/>
<b>Current liabilities</b>			
Trade and other payables	9	<b>362,140</b>	345,760
Taxation payable		<b>27,019</b>	18,763
Short term bank loans	10	<b>575,000</b>	627,000
		<hr/> <b>964,159</b> <hr/>	<hr/> 991,523 <hr/>
<b>Net current liabilities</b>		<b>(430,908)</b>	(423,869)
<b>Total assets less current liabilities</b>		<hr/> <b>6,118,710</b> <hr/>	<hr/> 5,993,113 <hr/>
<b>Financed by:</b>			
Share capital	11	<b>1,658,610</b>	1,658,610
Reserves	12	<b>1,762,422</b>	1,762,422
Retained earnings			
-Proposed final dividend	12	—	99,517
-Others	12	<b>1,154,646</b>	939,410
<b>Shareholders' funds</b>		<hr/> <b>4,575,678</b> <hr/>	<hr/> 4,459,959 <hr/>
<b>Minority interests</b>		<hr/> <b>208,585</b> <hr/>	<hr/> 208,602 <hr/>
<b>Non-current liabilities</b>			
Long-term payables to minority shareholders of subsidiaries	13	<b>1,176,499</b>	1,176,499
Other long-term payables		<b>400</b>	400
Deferred tax liabilities		<b>157,548</b>	147,653
		<hr/> <b>6,118,710</b> <hr/>	<hr/> 5,993,113 <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2004

(Amount expressed in thousands of Renminbi)

	From 1 January 2004 to 30 June 2004 (unaudited)							
	Share	Share	Capital	Statutory	Statutory	Discretionary	Unappropriated	Total Equity
	Capital	Premium	surplus	Surplus	Public	Surplus		
Note 11	Note 12(a)		Reserve Fund	Welfare Fund	Reserve Fund	profits		
	Note 11	Note 12(a)		Note 12(b)	Note 12(c)			
Balance at 1 January 2004	1,658,610	1,447,459	2,397	164,422	147,486	658	1,038,927	4,459,959
Dividends	—	—	—	—	—	—	(99,517)	(99,517)
Net profit for the period	—	—	—	—	—	—	215,236	215,236
Balance at 30 June 2004	<u>1,658,610</u>	<u>1,447,459</u>	<u>2,397</u>	<u>164,422</u>	<u>147,486</u>	<u>658</u>	<u>1,154,646</u>	<u>4,575,678</u>
	From 1 January 2003 to 30 June 2003 (unaudited)							
	Share	Share	Capital	Statutory	Statutory	Discretionary	Unappropriated	Total Equity
	Capital	Premium	surplus	Surplus	Public	Surplus		
Note 11	Note 12(a)		Reserve Fund	Welfare Fund	Reserve Fund	profits		
Balance at 1 January 2003	1,658,610	1,447,459	—	125,837	114,295	658	811,395	4,158,254
Dividends	—	—	—	—	—	—	(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>—</u>	<u>125,837</u>	<u>114,295</u>	<u>658</u>	<u>913,046</u>	<u>4,259,905</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2004*

(Amounts expressed in thousands of Renminbi)

	Note	For the six months ended 30 June	
		2004 <i>(unaudited)</i>	2003 (unaudited)
Net cash generated from operating activities		<b>367,047</b>	228,009
Net cash used in investing activities		<b>(270,052)</b>	(803,833)
Net cash used in financing activities		<b>(151,517)</b>	(17,889)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(54,522)</b>	(593,713)
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>		<b>500,639</b>	1,118,916
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>		<b>446,117</b>	525,203

Analysis of the balances of cash and cash equivalents

	As at 30 June 2004 <i>(unaudited)</i>	As at 30 June 2003 (unaudited)
Cash on hand	<b>148</b>	148
Savings deposits	<b>445,969</b>	525,055
Fixed deposits	<b>5,000</b>	—
Bank balance and cash	<b>451,117</b>	525,203
Less: Fixed deposits with original maturity of more than 3 months	<b>(5,000)</b>	—
Cash and cash equivalent	<b>446,117</b>	525,203

## NOTES TO THE CONDENSED ACCOUNTS

*As at 30 June 2004*

(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 2003.

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 2003 annual accounts.

### 2. 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.



## 2. PRINCIPLES AND BASIS OF CONSOLIDATION (cont'd)

Details of the Group's consolidated subsidiaries as at 30 June 2004 and 31 December 2003 were as follows:

Name of subsidiary	Country of incorporation and kind of legal entity	Principal activities and place of operation	30 June 2004		31 December 2003		Paid in, issued and fully paid share capital RMB'000
			Interest held		Interest held		
			Direct	Indirect	Direct	Indirect	
Anhui Gao Jie Expressway Company Limited ("Gao Jie")	PRC, Limited liability company	Management and operation of expressway in Anhui province, PRC	51%	—	51%	—	300,000
Xuan Guang Expressway Company Limited ("Xuan Guang")	PRC, Limited liability company	Management and operation of expressway in Anhui province, PRC	55.47%	—	55.47%	—	111,760
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%	—	75.5%	—	20,000
Tianjin Xinxigang Jiazi Co., Ltd.	PRC, Limited liability company	Consulting and technology development in Tianjin, PRC	—	52.85%	—	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%	—	65%	—	10,000

### Share transfer of AWTD

The company entered into an agreement with Anhui Guoyuan Trust Investment Co., Ltd. ("AGTI") on 25 June 2004 to dispose of its 75.5% interests in AWTD to AGTI for a total consideration of RMB18,644,400. According to the agreement the share transfer will only be effective upon the agreement date. The directors believed that the above share transfer will not have a significant impact on the Company's operating results.

## 2. PRINCIPLES AND BASIS OF CONSOLIDATION (cont'd)

### *Liquidation of BJHW*

As approved by all shareholders, Beijing Haiwei Investment Co., Ltd. was liquidated on 27 May, 2004. The net asset as at the liquidation date was shared by the shareholders in proportion to their respective interests. There is no significant profit and losses arising from liquidation.

## 3. 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.

## 4. 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>2004</b>	2003
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
After charging:		
Staff costs		
- Salaries and wages	<b>21,160</b>	16,132
- Provision for staff welfare	<b>6,824</b>	4,215
- Contribution to statutory pension scheme	<b>10,440</b>	7,875
Interest expenses on bank loans	<b>2,994</b>	—
Foreign exchange loss, net	<b>252</b>	—
Depreciation of fixed assets	<b>100,184</b>	85,499
Amortisation of intangible assets	<b>333</b>	1,598
Auditors' remuneration	<b>600</b>	540
	<b>212,787</b>	193,269
After crediting:		
Share of profits (losses) from associated companies	<b>202</b>	(77)
Interest income on bank deposits	<b>1,223</b>	1,324
	<b>214,212</b>	194,516

#### 4. PROFIT BEFORE TAXATION (cont'd)

Interest capitalized in projects under construction is analysed as follows:

	For the six months ended 30 June	
	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Interest on bank loans	15,147	—
Less: Interest capitalized in projects under construction	(12,153)	—
	<u>2,994</u>	<u>—</u>

#### 5. 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. Pursuant to relevant tax laws and regulations, the applicable EIT rate for the Company and AWTD 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	
	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Income tax expense		
- Current income tax expense	53,086	35,489
- Deferred taxation	9,895	8,799
	<u>62,981</u>	<u>44,288</u>

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June, 2004 was based on the unaudited profit after taxation and minority interests of approximately RMB 215,236,000 (corresponding period in 2003: RMB 151,409,000) divided by the number of 1,658,610,000 shares (corresponding period in 2003: 1,658,610,000 shares) in issue.

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

## 7. CAPITAL EXPENDITURE

	<b>Fixed assets</b>	<b>Intangible assets</b>	<b>Interests in associated companies</b>	<b>Investment securities</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount					
as at 1 January 2004 (audited)	6,391,429	3,707	3,846	18,000	6,416,982
Additions	233,806	—	—	—	233,806
Disposals	(855)	—	—	—	(855)
Depreciation/amortisation	(100,184)	(333)	—	—	(100,517)
Share of profits	—	—	202	—	202
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing net book amount					
as at 30 June 2004 (unaudited)	<u>6,524,196</u>	<u>3,374</u>	<u>4,048</u>	<u>18,000</u>	<u>6,549,618</u>

## 8. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2004 RMB'000 (unaudited)</b>	As at 31 December 2003 RMB'000 (audited)
Trade receivables	8,960	4,863
Prepayments	19,476	18,666
Others	25,449	15,754
	<hr/>	<hr/>
	53,885	39,283
Bad debt provision	(148)	(148)
	<hr/>	<hr/>
	<b>53,737</b>	<b>39,135</b>
	<hr/> <hr/>	<hr/> <hr/>

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

## 9. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2004 RMB'000 (unaudited)</b>	As at 31 December 2003 RMB'000 (audited)
Payables on purchase of fixed assets	181,305	197,536
Payables on repair and maintenance projects	30,969	16,645
Accruals	12,184	17,419
Advance from customers	9,084	12,312
Welfare payables	5,388	5,247
Other taxation payable	18,601	19,140
Other payables	104,609	77,461
	<hr/>	<hr/>
	362,140	345,760
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2004, all the payables on purchase of fixed assets and repair and maintenance projects were aged within one year.

## 10. SHORT-TERM BANK LOANS

	As at 30 June 2004		As at 31 December 2003	
	Interest rate per annum	RMB'000 (Unaudited)	Interest rate per annum	RMB'000 (Audited)
Unsecured short-term bank borrowings	4.536%-4.779%	<u>575,000</u>	4.536%-4.779%	<u>627,000</u>

As at 30 June 2004, the Group has unutilized banking facilities amounting to RMB 1,250,000,000. (2003: RMB 1,300,000,000)

## 11. SHARE CAPITAL

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

As at 30 June 2004, details of share capital are as follows:

Shareholder	Percentage	Number of Shares
Anhui Expressway Holding Company – “AEHC”	32.48%	538,740,000
Huajian Communication and Economic 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
	<u>100.00%</u>	<u>1,658,610,000</u>

## 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*

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2004 (2003: None).

## 13. LONG-TERM PAYABLES TO MINORITY SHAREHOLDERS OF 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
Xuancheng Highway Management 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	
	2004 RMB'000 (unaudited)	2003 RMB'000 (unaudited)
Acquisition of Lianhuo Expressway (Anhui Section)	—	1,180,000
Products sold and service rendered to AEHC	—	1,867
	<u>          </u>	<u>          </u>

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 Rmb 1,180,000,000 effective from 1 January 2003. As at 30 June 2004, the Company has already made the payment of Rmb 1,180,000,000 to AEHC.



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

(c) *Related party balances*

## (i) Trade receivables

<b>As at 30 June</b>	As at 31 December
<b>2004</b>	2003
<b>RMB'000</b>	<b>RMB'000</b>
<b>(unaudited)</b>	<b>(audited)</b>

AEHC	—	100
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## (ii) Other receivables

<b>As at 30 June</b>	As at 31 December
<b>2004</b>	2003
<b>RMB'000</b>	<b>RMB'000</b>
<b>(unaudited)</b>	<b>(audited)</b>

AEHC		
-Toll system management fee	3,080	3,080
-Others	243	775

ALEC	—	23
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	<b>3,323</b>	<b>3,878</b>
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## (iii) Prepayment

<b>As at 30 June</b>	As at 31 December
<b>2004</b>	2003
<b>RMB'000</b>	<b>RMB'000</b>
<b>(unaudited)</b>	<b>(audited)</b>

King Fiber	544	—
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## (iv) Trade payables

<b>As at 30 June</b>	As at 31 December
<b>2004</b>	2003
<b>RMB'000</b>	<b>RMB'000</b>
<b>(unaudited)</b>	<b>(audited)</b>

AEHC	—	59,000
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## 14. RELATED PARTY TRANSACTIONS (cont'd)

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

## (v) Advance from customer

	<b>As at 30 June</b>	As at 31 December
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
AEHC	—	392
	<u>          </u>	<u>          </u>

## (vi) Other payables

	<b>As at 30 June</b>	As at 31 December
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
AEHC	64	—
ALEC	1,622	1,622
	<u>          </u>	<u>          </u>
	<b>1,686</b>	1,622
	<u>          </u>	<u>          </u>

## (vii) Long term payables

	<b>As at 30 June</b>	As at 31 December
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
AEHC	728,582	728,582
XHMC	447,917	447,917
	<u>          </u>	<u>          </u>
	<b>1,176,499</b>	1,176,499
	<u>          </u>	<u>          </u>

As at 30 June 2004, amounts due from and due to the related parties, except for long term payables as disclosed in Note 13, 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	
	2004 <i>(unaudited)</i> RMB'000	2003 <i>(unaudited)</i> RMB'000	30 June 2004 <i>(unaudited)</i> RMB'000	31 December 2003 <i>(audited)</i> RMB'000
As reported in the statutory accounts	<b>179,695</b>	121,662	<b>3,918,041</b>	3,837,863
HKGAAP adjustments:				
Valuation and depreciation of toll roads	<b>43,775</b>	34,598	<b>708,399</b>	664,624
Valuation and amortisation of land use right	<b>1,661</b>	3,948	<b>106,786</b>	105,125
Deferred taxation	<b>(9,895)</b>	(8,799)	<b>(157,548)</b>	(147,653)
As reported under HKGAAP	<b>215,236</b>	151,409	<b>4,575,678</b>	4,459,959

## 16. COMMITMENTS

As at 30 June 2004, the Company had capital commitment contracted but not paid amounting to approximately RMB 114,000,000 (2003: RMB 423,000,000).

## 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 stamped 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 in Hong Kong and the Wen Wei Po in Hong Kong;
4. The copy of 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*

5 August 2004