



Anhui Expressway Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 995)



2006
Interim Report

CONTENTS

I	Corporate Profile	3
II	Summary of Financial Statistics	5
III	Shareholdings and Change of Share Capital	8
IV	Directors, Supervisors and Senior Management	14
V	Chairman's Statement	15
VI	Management Discussion and Analysis	17
VII	Major Events	25
VIII	Corporate Governance	34
IX	Accounts	35
X	Documents Available for Inspection	53
XI	Confirmation Opinion of the Interim Report	54



IMPORTANT NOTICE

The Board of the Directors and the Directors of Anhui Expressway Company Limited (“the Company”) hereby confirm 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, Director and General Manager and Ms. Liang Bing, manager of the Financial Department of the Company hereby confirm that the financial statements contained in the Interim Report are true and complete.

The financial statements contained in the Interim Report has not been audited.

I CORPORATE PROFILE

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 : The 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 : <http://www.anhui-expressway.cn>
E-mail address of the Company : wtgs@anhui-expressway.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 (general)
- Fax : 0551-5338696
- E-mail address : wtgs@anhui-expressway.cn
- Contact address : 520 Wangjiang West Road, Hefei, Anhui, the PRC
6. Newspapers designated for publishing reports : Shanghai Securities Post and China Securities Post in the PRC, Commercial Daily and The Standard in Hong Kong
- Website designated for disclosure of reports : <http://www.sse.com.cn>
- Addresses designated for storage of the Interim Report : Shanghai Stock Exchange, 528 Pudong South Road, Shanghai
- Hong Kong Registrars Limited,
46th Floor, Hopewell Center,
183 Queen's Road East, Wanchai,
Hong Kong
- Company's head office:
520 Wangjiang West Road,
Hefei, Anhui, the PRC

II SUMMARY OF FINANCIAL STATISTICS

1. Key financial statistics and indicators prepared in accordance with the accounting principles generally accepted in the PRC ("the PRC Accounting Standards") (Unaudited)

(1) Key Financial Statistics and Indicators

	As at 30 June 2006	As at 31 December 2005	Change (%)
			<i>(Unit: RMB)</i>
Current assets	517,720,440.67	609,178,937.62	-15.01
Current liabilities	2,126,599,083.55	936,186,662.32	127.16
Total assets	7,151,672,648.38	6,970,437,823.83	2.60
Shareholders' interests			
(Excluding minority interests)	4,494,761,853.81	4,636,191,707.77	-3.05
Net asset per share (RMB)	2.71	2.80	-3.21
Adjusted net asset per share (RMB)	2.71	2.80	-3.21
	For the six months ended 30 June 2006	For the six months ended 30 June 2005	Change (%)
Net profit	322,980,946.04	259,586,757.46	24.42
Net profit after extraordinary items	322,635,942.54	266,569,843.82	21.03
Earnings per share (RMB)	0.1947	0.1565	24.41
Returns on net assets (%)	7.19	6.13	17.29
Net cash flows from operating activities	503,116,912.85	405,047,752.92	24.21

(2) Extraordinary items deducted and amounts involved

Extraordinary items	Amounts
Non-operating income	573,453.67
Non-operating expenses	-80,817.72
Taxation of extraordinary items	-147,632.45
Total	345,003.50

- (3) The calculation of net asset income rate and earnings per share in accordance with the requirements promulgated by the CSRC under No. 9, the Content and Format Criteria of Information Disclosure of Companies that Make Initial Public Offering of Stocks:

Profits during the reporting period	Returns on net assets (%)		Earnings per share (Unit: RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profits from principal operations	11.11	10.41	0.3012	0.3012
Operating profits	9.14	8.57	0.2478	0.2478
Net profits	7.19	6.73	0.1947	0.1947
Net profits after extraordinary items	7.18	6.72	0.1945	0.1945

2. 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		Change (%)
	2006 <i>Unit: RMB'000</i>	2005 <i>Unit: RMB'000</i> (Restated)	
Turnover	805,992	734,993	9.66
Operating profit before taxation	442,008	354,255	24.77
Profit attributable to shareholders	454,058	274,707	65.29
Basic earnings per share (RMB)	0.2738	0.1656	65.34

Summary of assets

	As at	As at	Change (%)
	30 June 2006 <i>Unit: RMB'000</i>	31 December 2005 <i>Unit: RMB'000</i>	
Total assets	7,581,924	7,836,196	-3.24
Total liabilities	2,609,735	2,007,425	30.00
Total net assets (total equities)	4,972,189	5,828,771	-14.70
Net assets per share (RMB)	2.9978	3.5143	-14.70

3. Major difference between financial statements prepared in accordance with different accounting standards

	Net profit as at 30 June		Shareholders' equities	
	2006 (Unaudited) RMB'000	2005 (Unaudited) RMB'000	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Unaudited) RMB'000
Amount from statutory accounts	322,981	259,587	4,494,762	4,636,192
Adjusted under HKGAAP				
1. Difference from accounting for long-term payables to minority shareholders of subsidiaries (a)	(17,539)	(21,593)	179,575	421,843
2. Valuation of expressways and buildings and their depreciation (b)	31,899	31,904	865,450	833,551
3. Valuation of land use right (b)	(690)	(690)	27,717	28,407
4. Difference from accounting for safety fund (c)	7,711	7,417	32,995	25,284
5. Goodwill accounting disposal (d)	—	—	(474,418)	—
6. Goodwill amortization (d)	7,907	—	7,907	—
7. Deferred taxation (e)	101,789	(1,918)	(214,793)	(316,582)
Remaining amount as reported in HKGAAP	454,058	274,707	4,919,195	5,628,695

- (a) In the financial statements prepared in accordance with the Hong Kong Accounting Standards, borrowings are initially recorded at fair value and subsequently stated at amortized costs with the difference between the proceeds and the redemption value being recognized in the income statement over the period of the borrowings using the effective interest methods, but were recorded at the proceeds received in the statutory financial statements. Such discrepancy will affect the operational results of the Group, hence the above adjustments were made (The Company repaid all of the long-term payables to AEHC in the reporting period).
- (b) In order to issue and list H shares, the property, plant and equipment and the land use rights of the Company, were revalued by a Chinese asset valuation institution and an international asset valuation institution on 30th April 1996 and 15th August 1996 respectively and were incorporated into the related statutory financial statements and the financial statements prepared in accordance with the Hong Kong Accounting Standards. The value evaluated by the international institution was higher than that evaluated by the Chinese institution by the amount of RMB 319 million. Also, depreciation of expressways was calculated according to unit-of-use method in the financial statements prepared in accordance with the Hong Kong Accounting Standards, but was calculated according to the straight-line method in the statutory financial statements. Such difference led to differences in the results of operations for both the group and the Company throughout their useful life and therefore was regarded as the adjustment item.
- (c) According to the relevant rules and regulations as set out by the authorities, the Group has provided 1% enterprise safety fund based on the toll income for the reporting period. In accordance with the relevant accounting principles and financial regulations applicable to PRC enterprise, enterprise safety fund is classified as long term payable and will be offset during its utilisation. In the financial statements prepared in accordance with the Hong Kong Accounting Standards, such utilisation will be charged to expenses when actually incurred. Accordingly, such discrepancy will affect the operational results of the Group, hence the above adjustments were made.
- (d) In the financial statements prepared in accordance with the Hong Kong Accounting Standards, the excess of the consideration over carrying amount of the minority interests acquired is recognized directly in equity, but was recorded as intangible asset in the statutory financial statements and amortized in 10 years. Such discrepancy made the above adjustments.
- (e) Gao Jie was de-registered and merged all of its assets and liabilities to the Company on 16 May 2006. As Gao Jie was originally subject to EIT levied at a rate of 33% and the Company is subject to the rate of 15%, the deferred tax originally recorded was adjusted accordingly. In addition, as a result of the differences between the statutory financial statements and the financial statements prepared in accordance with the Hong Kong Accounting Standards as mentioned above, deferred taxation was adjusted accordingly.

III SHAREHOLDINGS AND CHANGE OF SHARE CAPITAL

I. The share capital structure changed during the reporting period.

(1) Change of shareholdings

(Unit: 10 thousand shares)

	Before changes		Allotment	Increases (+) or Decreases (-)			After changes	
	Number of shares	Percentage (%)		Bonus	Transfer from reserves	Shares allocated to holders of circulating shares	Sub-total	Number of shares
I. Restricted circulating shares								
1. State-owned Shares	53,874	32.48			-2,015.9	-2,015.9	51,858.1	31.27
2. State-owned legal person shares	37,686	22.72			-2,984.1	-2,984.1	34,701.9	20.92
3. Other domestic shares								
Including:								
Domestic legal person shares								
Domestic individual shares								
4. Overseas shares								
Including:								
Overseas legal person shares								
Overseas individual shares								
Total restricted circulating shares	91,560	55.20			-5,000	-5,000	86,560	52.19
II. Unrestricted circulating shares								
1. Renminbi-denominated ordinary shares	25,000	15.07			5,000	5,000	30,000	18.08
2. Domestic-listed foreign shares								
3. Overseas-listed foreign shares	49,301	29.73					49,301	29.73
4. Others								
Total unrestricted circulating shares	74,301	44.80			5,000	5,000	79,301	47.81
III Total shares	165,861	100			0	0	165,861	100

2. Approval of the change of share capital structure

On 20 February 2006, the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province issued Wan Guo Zi Chan Quan Han [2006] No.50, which approved the Share Segregation Reform Proposal of the Company.

On 10 March 2006, the Ministry of Commerce of the PRC issued Shang Zi Pi [2006] No. 844, which approved the Share Segregation Reform Proposal of the Company.

The Share Segregation Reform Proposal of the Company was approved at the relevant shareholders' meeting of the A share market held on 27 February 2006.

The Share Segregation Reform Proposal of the Company was implemented on 31 March 2006, and the trading of A Shares of the Company was resumed on 3 April 2006.

II. Shareholders

The total number of shareholders As at 30 June 2006, there were 43,928 shareholders of the Company, which consist of one state-owned shareholder, one state-owned legal person shareholder, 43,854 A shareholders and 72 H shareholders.

The shareholding of the ten largest shareholders of all shares of the Company

Name of shareholders	Nature of shareholders	Percentage	Total holding shares	Number of restricted circulating shares	Number of shares pledged or locked-up
Anhui Expressway Holding Corporation	Holders of State-owned shares	31.27%	518,581,000	518,581,000	None
HKSCC NOMINEES LTD (agent)	Holders of foreign shares	29.31%	468,127,898		Not known
Huajian Transportation Economic Development Center	Holders of State-owned shares	20.92%	347,019,000	347,019,000	None
National Social Insurance Fund-108 Composition	Others	1.25%	20,737,718		Not known
Boshi Theme Industry Stock Securities Investment Fund	Others	0.61%	10,150,778		Not known
National Social Insurance Fund-102 Composition	Others	0.53%	8,714,225		Not known
National Social Insurance Fund-103 Composition	Others	0.36%	5,919,851		Not known
Boshi Value Growth Securities Investment Fund	Others	0.34%	5,700,000		Not known
ARSENTON NOMINEES LIMITED (agent)	Holders of foreign shares	0.29%	4,802,000		Not known
CITIC Classics Portfolio Securities Investment Fund	Others	0.27%	4,481,251		Not known

The shareholding of the top ten holders of unrestricted circulating shares

Name of shareholders	Number of unrestricted circulating shares	Type of shares
HKSCC NOMINEES LTD (agent)	468,127,898	Overseas-listed foreign shares
National Social Insurance Fund-108 Composition	20,737,718	Renminbi-denominated ordinary shares
Boshi Theme Industry Stock Securities Investment Fund	10,150,778	Renminbi-denominated ordinary shares
National Social Insurance Fund-102 Composition	8,714,225	Renminbi-denominated ordinary shares
National Social Insurance Fund-103 Composition	5,919,851	Renminbi-denominated ordinary shares
Boshi Value Growth Securities Investment Fund	5,700,000	Renminbi-denominated ordinary shares
ARSENTON NOMINEES LIMITED (agent)	4,802,000	Overseas-listed foreign shares
CITIC Classics Portfolio Securities Investment Fund	4,481,251	Renminbi-denominated ordinary shares
CITIGROUP GLOBAL MARKETS LIMITED	3,749,768	Renminbi-denominated ordinary shares
BNP PARTBAS	3,561,796	Renminbi-denominated ordinary shares

Explanations of connected relationship between the above-mentioned shareholders and consistent action

There are no connected relationship between the State-owned Shareholders in the above chart, The third and sixth shareholders of unrestricted shares are under the management of Boshi Funds Management Company Limited. The connected relationship amongst other shareholders cannot be ascertain, nor be known whether they belong to the consistent action stipulate in "Provisions on Information disclosure Management of Shareholders' Shareholding changes of Listed Companies.

Note: According to the shareholders' register provided by HKSCC NOMINEES LIMITED, H Shares held by which represented the holding of many clients.

Shareholdings of the top ten holders of restricted shares and the restricted conditions

Name of holders of restricted shares	Number of restricted shares	Trading date	Newly-added unrestricted circulating shares	Restricted conditions
Anhui Expressway Holding Corporation	518,581,000	3 April 2007	82,930,500	<i>Note 1</i>
		3 April 2008	165,861,000	
		3 April 2009	352,720,000	
Huajian Transportation Economic Development Center	347,019,000	3 April 2007	82,930,500	
		3 April 2008	165,861,000	
		3 April 2009	181,158,000	

Note 1:

1. Within twelve months from the day of granting listing status to the restricted circulating shares of the Company held by them, they would not trade or transfer such shares, and that, within twelve and twenty four months, respectively, subsequent to the aforesaid period, the numbers of the originally Non-circulating Shares subsequently listed for trading on the stock exchange would not exceed five per cent and ten per cent, respectively, of the total number of shares of the Company;
2. Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares will sell their shares with the price not less than RMB8.28 (such price to be calculated on an ex-rights basis if dividends distribution, allotment of shares and capitalization of capital reserve are implemented); The proceeds from any sale by Shareholders of Non-circulating Share in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company.

III. Person who have interests of short positions disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

As at 30 June 2006, 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, 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 end of period (shares)	Increases or decreases during period	Type of shares	As a % of total capital	Pledged or locked-up
Anhui Expressway Holding Corporation	518,581,000(L)	-20,159,000	State-owned shares	31.27%	No
Huajian Transportation Economic Development Center	347,019,000(L)	-29,841,000	State-owned legal person shares	20.92%	No



Names	At end of period (shares)	Increases or decreases during period	Type of shares	As a % of total H Shares	Pledged or locked-up
Commonwealth Bank of Australia	74,090,000(L)	Not clear	H Shares	15.03(L)	Not clear
JPMorgan Chase & Co.	39,621,000(L) 39,621,000(P)	Not clear	H Shares	8.04(L) 8.04(P)	Not clear
Fidelity International Limited	34,420,000(L)	Not clear	H Shares	6.98(L)	Not clear
Colonial First State Group Ltd	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
Colonial Holding Company (No.2) Pty Limited	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
Colonial Holding Company Pty Ltd.	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
Colonial Ltd	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
First State Investment Managers (Asia) Ltd	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
First State Investments (Bermuda) Ltd	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
The Colonial Mutual Life Assurance Society Ltd	33,358,000(L)	Not clear	H Shares	6.77(L)	Not clear
First State (Hong Kong) LLC	32,166,000(L)	Not clear	H Shares	6.52(L)	Not clear
First State Investments (Hong Kong) Limited	30,712,000(L)	Not clear	H Shares	6.23(L)	Not clear
First State Investments (Singapore)	30,608,000(L)	Not clear	H Shares	6.21(L)	Not clear
First State Investments Holdings (Singapore) Limited	30,608,000(L)	Not clear	H Shares	6.21(L)	Not clear
INVESCO Hong Kong Limited (previously known as INVESCO Asia Limited) in its capacity as manager/adviser of various accounts	28,800,000(L)	Not clear	H Shares	5.84(L)	Not clear

L = Long Position
P = Lending Pool

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 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 2006.

IV. During the reporting period, there was no change in the controlling shareholders and real controller of the Company.

V. Purchase, sale and redemption of the Company's Shares

During the reporting period, the Company did not repurchase any of its listed shares, nor purchased or re-sold any listed shares of the Company.

VI. 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 shareholdings.



IV 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 and there is no change of the situation.

As at 30 June 2006, 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), 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 (including interests which he was taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which were required, pursuant to section 352 of the Securities and Futures Ordinance, 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 of the Company.

3. Staff

As at 30 June 2006, the Company had a total of 1,111 full-time employees, of which 260 were in management, 149 in engineering, 667 in toll-collection and 35 in maintenance. Staff with professional title represented approximately 17.37% of the total staff. Staff in tertiary educated and above represented approximately 23.58% of the total staff.

As at 30 June 2006, the Company has borne the costs of 13 retired employees.

V CHAIRMAN'S STATEMENT

Relying on favorable macroeconomic conditions, a sound corporate governance structure and hard work of all staff, the Company's income from principal operations achieved a stable increase. In accordance with the PRC accounting standards, the Group recorded the income from principal operations of RMB809,355,000 from major businesses for the whole year. The profit after tax is RMB322,981,000, up 24.42% from the previous year. Earnings per share was RMB0.1947. Pursuant to Hong Kong accounting standards, profit after tax was RMB454,058,000, up 65.29% from the previous year. Basic earnings per share was RMB0.2738.

Review and Outlook

In the first half of this year, the overall national economy did well and achieved a significant result. The total GDP of the PRC achieved 9,144.3 billion, which is 10.9% higher than the corresponding period last year. The increasing speed is 0.9% faster than the corresponding period last year. An upstanding economic circumstance leads a rapid development in roads transportation business. In the first half of this year, the turnover of domestic roads freight has increased 11.4% compared to the corresponding period last year. The passenger turnover has increased 8.2% compared to the corresponding period last year. The "over limiting and overloading controlling" practice hosted by the national seven main ministers has provided a fine environment for the sustaining and healthy development of the Company. While the policy of toll rates on goods vehicles with reference to their weight shows a great effect on preventing over limiting and overloading, it also reduces its negative effect on traffic volumes. The positive impact has emerged and the traffic volumes of each highway controlled by the Company have rebounded.

In the first half year, the government went on intensifying the macro control policy. The relevant policies on the restraint of the overmuch manufacture capability, control of the "switch" of loans, and decreasing the lands use have been carried out one by one. Due to the positive support from the policies, the macro control has not reduced negative influence to the highway industry.

In the first half year, the Company has experienced a series of capital operations and integration, finished the full-capital purchasing of Gaojie Company. It expanded our capital scale and reinforced our incoming foundation.

In the first half year, the Company successfully accomplished the Share Segregation Reform, which optimized the Company's share capital structure one-step further, expanded the collective profit of the Company's shareholders and consummated the Company's administration structure. It also provided a precondition for forging a more effective supervising and encouraging mechanism within the company.

Looking ahead, China is expected to maintain a high increasing and low inflation circumstance. National economy will continue to grow in a sustaining and fast pace. The active economy will provide a fine atmosphere for the development of the Company.

Supports from the State will also bring opportunities to economic development of Anhui. The "Vitalizing the Middle" strategy is good to speed up the optimization of Anhui province's industrial structure and provide a sustaining force of economic growth. Based on abundant natural resources and great geographical location, in cooperating with the fine environment provided by Yangtze River delta industrial shifting, Anhui province will have a big potential in economic development, which will be the main driving force for the Company's future development.



A favorable developing trend of highway industry also provides our company some advantages. As the processing of expressway network development, especially the government's construction of expressway network in central and western area of China, the permanent asserts investment of express will maintain its rapid increasing. By the end of the "China's Tenth five-year plan", the distance of highway around the country will reach 65 thousands kilometers. Anhui Province will invest billions to finish the construction of national expressway network within its territory in order to accomplish "Three Verticals and Seven Horizontals" from the future layout of "Four Verticals and Eight Horizontals" expressway network. It will build 2000 km of new expressways, which provides plenty of project resources for the Company's sustaining development.

In the future, with the supports from our parent company, the Company' will continuously purchase assets to enlarge its profits scale, enhance the toll collection management and strengthen the roads maintenance to decrease the cost, in order to achieve the aim of the maximum shareholders' profit.

On behalf of the Board, I would like to take this opportunity to express my gratitude to shareholders for their strong support, and the Board of Directors and the Supervisory Committee for their co-operation. I would also like to express my heartfelt thanks to all staff for their contribution to the development of the Group.

Chairman

Wang Shui

Hefei, Anhui, the PRC

18 August 2006

VI MANAGEMENT DISCUSSION AND ANALYSIS

I Analysis on Business Operations (In accordance with the PRC Accounting Standards unless otherwise stated)

1. Results Summary

The Company is principally engaged in holding, operating and developing the toll expressways and highways in and outside of 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 New Tianchang Section of National Trunk 205 (30 km) with a total mileage of 412 km.

During the reporting period, in accordance with the PRC Accounting Standards, income from principal operations of RMB809,355,000 was achieved, representing an increase of 5.54% compared with that of the corresponding period of last year. Unaudited net profit of the Company reached RMB322,981,000, representing an increase of 24.42% compared with that of the corresponding period of last year. Earnings per share was RMB0.1947 representing an increase of 24.41% compared with that of the corresponding period of last year. In accordance with the Hong Kong Accounting Standards, a turnover of RMB805,992,000 was achieved, representing an increase of 9.66% compared with that of the corresponding period of last year. Unaudited profit attributable to shareholders of RMB454,058,000 was achieved, representing an increase of 65.29% compared with that of the corresponding period of last year. Earnings per share was RMB0.2738, representing an increase of 65.34% compared with that of the corresponding period of last year.

2. Concrete Analysis of Toll Expressways

(1) Existing toll rates

Toll rates for expressways

Toll rate of vehicles classification

Unit: vehicle km

Vehicles type	Classification	Toll rates
	Passenger vehicles	
Type 1	7 seats or below (including 7 seats)	RMB0.40
Type 2	Between 8 seats and 19 seats	RMB0.70
Type 3	Between 20 seats and 39 seats	RMB1.00
Type 4	40 seats or above (including 40 seats)	RMB1.20

Toll rates of goods vehicles with reference to their weight:

Gross weight of goods vehicle	≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	> 40 tonnes
Basic toll rate	RMB0.08/tonnes for every km	RMB0.08/tonnes for every km and will be linearly reduced to RMB0.043/tonnes for every km	RMB0.043/tonnes for every km
Notes:	<ol style="list-style-type: none"> Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale If the toll chargeable is less than RMB20, RMB20 shall be charged The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10. 		

Extra tolls to be imposed on overloaded goods vehicles:

1. Excess is less than 30% (including 30%)	2. Excess is between 30% and 50% (including 50%)	3. Excess is between 50% and 100% (including 100%)	4. Excess is over 100%	If the weight of the vehicle and the cargo is over the loading limit of the total mass and the vehicle's shaft, the higher overloaded rate will be collected.
Toll applicable to normal goods vehicles as per the weight	The first 30% will be subject to a toll applicable to normal goods vehicles as per the weight	The remaining balance will be subject to a toll equivalent to 1.5 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 2 times of the basic rate.	

Toll rates of New Tianchang Section of National Trunk 205

Toll rate of vehicles classification

Type of Vehicles	Toll Rates
Motor bicycles and tricycles	RMB3 per vehicle
Small tractors (including manual tractors) and other four-wheeled small and simple mechanical vehicles	RMB5 per vehicle
Passenger wagons below 20 seats (including 20 seats)	RMB10 per vehicle
Passenger wagons between 20 and 50 seats (including 50 seats)	RMB15 per vehicle
Passenger wagons over 50 seats	RMB25 per vehicle

Toll rates of goods vehicles with reference to their weight:

Gross weight of goods vehicle	≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	> 40 tonnes
Basic toll rate	RMB1.5/ton vehicle	RMB1.5/ton vehicle and will be linearly reduced to RMB1.1/ ton vehicle	RMB1.1/ton vehicle
Notes:	<ol style="list-style-type: none">1. If the toll chargeable is less than RMB10, RMB10 shall be charged2. The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.		

Extra tolls to be imposed on overloaded goods vehicles of New Tianchang Section of National Trunk 205 are the same to expressways.

(2) Analysis of toll expressways

During the reporting period, the Group achieved the toll income of RMB809,355,000, representing 100% of the total income and about 5.54% more than the corresponding period of last year. At the same time, the Group achieved a profit of RMB322,981,000, representing an increase of 24.42% compared with the corresponding period of last year. (See table 2 and 3)

During the reporting period, the traffic volumes of Xuanguang Expressway decreased slightly, which was mainly due to the reconstruction of itself and its connecting part in Zhejiang Province. Apart from Xuanguang Expressway, the traffic volumes of other roads all increased and reached their historical highest levels, which was mainly due to the fast growing regional economy and the gradual remove of adverse impact from the implementation of toll rates on goods vehicles with reference to there weight.

During the reporting period, apart from New Tianchang Section of National Trunk 205, the growth of other roads' toll income is lower than that of traffic volumes, which is contrary to that of the corresponding period of last year, this was mainly due to the substantial decrease in the number of overloaded goods vehicle, resulting in the decrease in extra tolls to be imposed on overloaded goods vehicles. New Tianchang Section of National Trunk 205 implemented toll rates on goods vehicles with reference to there weight on 1 June 2006, so during the reporting period, the growth of toll income is more than that of traffic volumes.

Details of highways controlled by the Company (table 1)

	Location	Mileage (km)	Number of carriageways	Number of toll gates	Number of service areas
Hening Expressway	National Trunk 312, Hurong Expressway	134	4	8	3
New Tianchang Section of National Trunk 205	National Trunk 205	30	4	1	0
Gaojie Expressway	Hurong Expressway	110	4	3	4
Xuanguang Expressway	National Trunk 318	84	4	4	1
Lianhuo Expressway Anhui Section	Lianyungang- Huo'erguosi Road	54	4	5	1

Average daily traffic volumes and toll income of highways controlled by the Company (table 2)

Item	Converted average daily traffic volumes		Toll income (RMB'000)	Change (%)
	for entire journey (vehicle)	Change (%)		
Hening Expressway	15,814	24.21	317,329	9.48
New Tianchang Section of National Trunk 205	15,849	9.74	54,927	22.26
Gaojie Expressway	8,231	13.08	186,634	4.00
Xuanguang Expressway	9,064	-1.15	142,080	-6.15
The Anhui Section of Lianhuo Expressway	8,708	22.39	108,385	7.25

Operations of highways controlled by the Company (table 3)

Unit: RMB'000

	Costs of principal operations		Period expenses		Net profit	Gross interest rate		Net interest rate
	Change (%)	Change (%)	Change (%)	Change (%)		Change (%)	Change (%)	
Hening Expressway	94,955	8.82	54,435	28.77	142,908	14.24	67.02	45.03
New Tianchang Section of National Trunk 205	15,402	-22.88	9,443	38.79	24,278	75.41	68.91	44.20
Gaojie Expressway	96,846	18.80	15,540	21.42	51,991	15.47	44.87	27.86
Xuanguang Expressway	32,306	-38.90	9,361	15.71	64,633	17.75	73.87	45.49
The Anhui Section of Lianhuo Expressway	44,787	-21.96	18,504	26.11	38,114	82.39	55.63	35.17

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

Unit: RMB'000

	Income from principal operations	Costs of principal operations	Operating profit	Net profit
Anhui Gaojie Expressway Company Limited ("Gaojie Company")	125,008	59,872	56,888	37,776
Xuanguang Expressway Company Limited ("Xuanguang Company")	142,080	32,306	95,966	64,633

(Note: Gaojie Company was de-registered and merged all of its assets and liabilities to the Company on 16 May 2006. The above represents its operating result for the 4 months ended 30 April 2006.)

II. Major investment transaction other than the use of proceeds from shares issue

(1) Acquisition of 49% interests in Gaojie Company

On 4 March 2005, the Company entered into the Equity Transfer/Acquisition Agreement in relation to the Acquisition of Anhui Gaojie Expressway Company Limited with AEHC. It was agreed that the Company would acquire the 49% equity interests in Gaojie Company held by AEHC. The consideration was RMB1,350 million in aggregate.

This transaction was approved by the Board and the General Meeting held on 4 March 2005 and 20 May 2005 respectively (AEHC, who is interested in the connected transaction, has abstained from voting for the resolution in the shareholders' general meeting), approval was also granted by relevant government authorities.

As of 31 December 2005, the Company has paid the total consideration of RMB400 million. As at the end of the reporting period, the consideration of RMB1,350 million for acquisition of 49% interests in Gaojie Company was fully paid, the liquidation and cancellation procedures of Gaojie Company has been finished and the above transaction was completed.

(2) The reconstruction of Xuanguang Expressway

The investment of RMB380,000,000 was planned for the reconstruction of Xuanguang Expressway. The project started from 15 August 2005 and the whole reconstruction is expected to be finished in two years. During the reporting period, 26.50 km was reconstructed with total investment of RMB147,584,000. As at the end of the reporting period, the total of 39 km was reconstructed with total investment of RMB215,815,000.

(3) Investment in the construction of the Anhui Section of Maba-Liuhe Expressway

The investment cost budget amounts to about RMB559 million spanning a period of four years, commencing from the end of 2004, the Company will be in charge of operating management and relevant operating work after its completion. During the reporting period, the investment in the Anhui Section of Maba-Liuhe Expressway amounted to RMB176,449,000, and the total investment till the end of reporting period amounted to RMB470,119,000.

III Analysis on the Financial Position and Operation Results of the Company (in accordance with the PRC Accounting Standards)

(1) Analysis on operation results of the Group

Items	For the six months ended 30 June		Change (%)
	2006 (RMB'000)	2005 (RMB'000)	
Income from principal operations	809,355	766,857	5.54
Costs from principal operations	284,297	299,014	-4.92
Profits from principal operations	499,529	429,799	16.22
Operating expenses	107,516	84,886	26.66
Operating profits	411,021	348,000	18.11
Net profit	322,981	259,587	24.42
Net decrease in cash and cash equivalent	72,892	85,904	15.15

Major reasons of changes:

The substantial increase of income from principal operations was mainly attributed to the nature increase of toll income resulted from the increase of traffic volumes.

The decrease of expenses from roads maintenance resulted in the decrease of the costs from principal operations.

The increase of profits from principal operations was mainly attributed to the increase of toll income, and the decrease of the costs from principal operations was mainly attributed to the business taxation's decrease from 5% to 3%.

The increase of operating expenses was mainly attributed to the substantial increase of interest expenses during the reporting period.

(2) Analysis on Assets of the Group

Assets of the Group as at 30 June 2006

Unit: RMB'000

Items	As at 30 June 2006	As at 31 December 2005	Change (%)
	Total assets	7,151,673	
Total liabilities	2,603,917	2,134,171	22.01
Shareholders' equities (Excluding minority interests)	4,494,762	4,636,192	-3.05

The total assets increased by RMB181,235,000 was mainly attributed to the increase of investment in the projects under construction such as the Anhui Section of Maba-Liuhe Expressway during the reporting period.

The total liabilities increased by RMB469,746,000 was mainly attributed to the increase of bank loans and unpaid dividends during the reporting period.

Shareholder's equities decreased by RMB141,430,000 was mainly attributed to the decrease of unpaid profits resulted from the payment of dividends.

(3) Capital Structure

The capital structure of the Group comprises shareholders' equities and liabilities.

	As at 30 June 2006		As at 31 December 2005	
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)
Current liabilities	2,126,599	29.74	936,187	13.43
Long-term liabilities	477,318	6.67	1,197,984	17.19
Shareholders' equities	4,494,762	62.85	4,636,192	66.51
Minority interests	52,994	0.74	200,075	2.87
Total	7,151,673	100	6,970,438	100

The structure of shareholders' equities and liabilities of the Group was reasonable. As at 30 June 2006, the Group held total cash and cash equivalent of RMB508,072,000 and bank loans of RMB1,100,000,000. The gearing ratio was 36.41% (30.62% on 31 December 2005). The Group's current ratio and quick ratio are RMB0.2434 and RMB0.2422 respectively.

(4) Cash flows and capital expenditures

During the reporting period, net cash inflows from operating activities of the Group reached RMB503,117,000, representing an increase of 24.21% compared with that of last year, which was mainly attributed to the substantial increase of toll income and decrease of payment of cash to labor services.

During the reporting period, net cash outflows from investment of the Group reached RMB1,161,944,000, which was mainly used for the acquisition of 49% interests in Gaojie Company, the reconstruction of Xuanguang Expressway and the construction of the Auhui Section of Maba-Liuhe Expressway.

During the reporting period, net cash outflows from financing activities of the Group reached RMB1,126,786,000, representing an increase of 121.43% compared with that of last year, which was mainly attributed to the repayment of borrowings from bank and the payout of 2005 annual dividends.

During the reporting period, the bank loans of the Group totaled RMB1,710,000,000. As at the end of the reporting period, the balance of bank loans of the Group was RMB1,100,000,000. Interest rate for the bank loans above was 4.86%.

During the reporting period, the Group's capital expenditures mainly include the acquisition of 49% interests in Gaojie Company, the construction of the Anhui Section of Maba-Liuhe Expressway and the reconstruction of Hening Expressway, with a total amount of RMB1,308,671,000.



As at the end of 30 June 2006, outstanding capital commitments of the Group were as follows:

- (1) The Company intended to invest in the construction of the Anhui Section of Maba-Liuhe Expressway, with RMB89,151,000 authorised but not contracted for (As at 31 December 2005: RMB265,600,000).
- (2) Xuanguang Company intended to reconstruct Xuanguang Expressway, with RMB164,185,000 authorised but not contracted for (As at 31 December 2005: RMB311,770,000).

(5) *Taxation Policies*

The Company was 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 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.

(6) *Contingent Liabilities*

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

(7) *Contingent Assets Pledge*

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

VII MAJOR EVENTS

1. Corporate Governance

Since its corporation, the Company has been in strict compliance with the Company law, Securities Law, Listing Rules and the rules and regulations promulgated by the China Securities Regulatory Committee ("CSRC"). The Company strived to improve its operation on corporate governance to establish a modern enterprise system with an objective to perfect its corporate legal person's governance system.

With the aim to further improve the corporate governance structure and compliance with the provisions of the Company Ordinance, which is enacted on 1 January 2006, the Securities Ordinance, the Guideline in respect of the publication of the articles of association of listed company, which is issued by the CSRC, and the Regulation for floatation of shares, the Company has amended its articles of association. The Company has submitted and reported the amendment in accordance with the legal procedures.

The Company disclosed its information according to the relevant listing rules of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. The Company is committed to a strong investor relationship management through press conference and roadshow both domestically and overseas, releasing operating statistics on the Company's website and welcoming investor's visits and queries.

2. Profit appropriation for 2006 interim

The Board of Directors of the Company recommends that the Company will neither pay the dividends for six months as at 30 June 2006 nor transfer the capital surplus to share capital.

3. Implementation of the profit appropriation for the year 2005

2005 profit appropriation plan of the Company was approved by the 2005 Annual General Meeting held on 16 June 2006, details are as follows: To pay a final dividend of RMB464,410,800 on the basis of RMB2.8 for every 10 shares (tax inclusive) based on the total number of shares outstanding at the end of 2005 of 1,658,610,000 shares.

According to the authorization given by the General Meeting, the Board of Directors of the Company published the resolutions of 2005 General Meeting on 19 June 2006 in the Shanghai Securities Post, China Securities Post, the Wen Wei Po and South China Morning Post in Hong Kong and determined a dividend of HK\$0.271, which was priced in RMB and paid in HK\$. The registration date of the H Shareholders was 15 May 2006 and the dividend payout date was 10 July 2006. On 12 July 2006, the Company published the 2005 profit appropriation implement announcement in the Shanghai Securities Post and the China Securities Post and determined that the A Shareholders' registration date was 17 July 2006, the ex-dividend date was 18 July 2006 and the dividend payout date of 21 July 2006.

The 2005 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

During the reporting period, the Company was not involved in any material acquisition and disposals of assets and mergers

6. Material Connected Transactions

Connected transactions related to daily operations.

Connected parties	Contents of connected transactions	Price-making principles of connected transactions	Amounts of connected transactions (RMB)	Percentage to the similar transactions (%)	Method of payment
Subsidiary of AEHC—Kaiyuan Maintenance	To undertake the road surface maintenance of Lianhuo Expressway Anhui Section	Made by negotiations through fair principles with reference to the tender documents.	299,001.70	0.44	To be transferred

During the reporting period, the Company was not involved in any material connected transactions.

7. 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.

8. Movement of fund between related parties and external guarantee

During the reporting period, 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, the controlling shareholder and other related parties did not misappropriate fund of the Company. The Company did not provide guarantee for the controlling shareholder or any related party. Subsidiaries combined into the consolidated financial statement of the Company were not involved in any above cases.

The independent directors of the Company have expressed independent opinions on the above cases.

9. Commitments

- (1) 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;
- (2) The Company intended to invest in the construction of the Anhui Section of Maba-Liuhe Expressway, with RMB89,151,000 authorized but not contracted for;
- (3) Xuanguang Company intended to reconstruct Xuanguang Expressway, with RMB164,185,000 authorized but not contracted for;
- (4) All Shareholders of Non-circulating Shares of the Company undertook:
 - (i) Within twelve months from the day of granting listing status to the Non-circulating Shares of the Company held by them, they would not trade or transfer such shares, and that, within twelve and twenty four months, respectively, subsequent to the aforesaid period, the numbers of the originally Non-circulating Shares subsequently listed for trading on the stock exchange would not exceed five per cent and ten per cent, respectively, of the total number of shares of the Company;
 - (ii) The Shareholders of Non-circulating Shares have undertaken to pay relevant expenses arising from the Share Segregation Reform proportional to the respective percentages of the Company's Non-circulating Shares held by them immediately prior to the implementation of the Share Segregation Reform;



- (iii) Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares will sell their shares with the price not less than RMB8.28 (such price to be calculated on an ex-rights basis if dividends distribution, allotment of shares and capitalization of capital reserve are implemented). The proceeds from any sale by Shareholders of Non-circulating Share in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company;
- (iv) All Shareholders of Non-circulating Shares undertook that, during three continuous years immediately following the completion of implementation of the Reform Proposal, they should propose at the annual general meeting of the Company that the Company's dividends distributable in cash shall not be less than 60% of the period available for distribution to the shareholders for the corresponding periods and undertook to vote for such resolutions at the annual general meeting;
- (v) Shareholders of Non-circulating Shares undertakes that, upon the completion of this Share Segregation Reform, they will make recommendation for formulation of long term incentive scheme, including the share incentive scheme, to the Board of Directors of the Company. Such long-term incentive scheme will be implemented by Board of Directors in accordance with the relevant regulation of the State or upon approval by the general meeting of shareholders;
- (vi) In the future, Anhui Expressway Holding Corporation will continue to support the Company to purchase good-quality road assets owned by Anhui Expressway Holding Corporation, and as always, pay attention to protect shareholders' interests.

10. Appointment and dismissal of accountants

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants were appointed as the Company's 2006 PRC and Hong Kong accountants at the 2005 Annual General Meeting.

11. Punishment and reconstruction of the Company, the Board of Directors and the directors

During the reporting period, the Company, the Board of Directors and its directors have not been involved in any inspection, administrative punishment and circulation of notice of criticism by CRSC, nor any public condemn by Stock Exchange.

12. 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 contribute the said medical insurance starting from 2005, the insurance fees will be provided from the welfare funds of the staff and this will not exercise significant influence on the operating results of the Company. The Company will not be required to contribute medical insurance prior to 2005.

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 (approximately RMB2,648,000) 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.

13. Other Information Index

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

Items	Newspapers designated for publishing reports	Publishing date	Website designated for disclosure of reports
Notice of Convening the Relevant Shareholders' Meeting of the A Share Market, Instruction Abstract of Share Segregation Reform, Collecting Letter of Appointing the Board as Their Proxies, Announcement of Investors' Negotiations on Line in Relation to Share Segregation Reform.	China Securities Post, the Shanghai Securities Post and Securities Time Post	23 January 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
Announcement of Share Segregation Reform Proposal	The Wen Wei Po and South China Morning Post in Hong Kong.	23 January 2006	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement on Delay in release of the Revised Share Segregation Reform Proposal	China Securities Post, the Shanghai Securities Post, Securities Time Post, The Wen Wei Po and South China Morning Post in Hong Kong	13 February 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn , Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of Revised Share Segregation Reform Proposal	Securities Time Post	14 February 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
Announcement of Revised Share Segregation Reform Proposal	The Wen Wei Po and South China Morning Post in Hong Kong	14 February 2006	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Items	Newspapers designated for publishing reports	Publishing date	Website designated for disclosure of reports
The First Prompting Announcement of Convening the Relevant Shareholders' Meeting of the A Share Market	Securities Time Post	16 February 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
The Second Prompting Announcement of Convening the Relevant Shareholders' Meeting of the A Share Market	Securities Time Post	22 February 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
Announcement of the approval by the State-owned Assets Supervision and Administration Commission	Securities Time Post, The Wen Wei Po and South China Morning Post in Hong Kong	22 February 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of the Voting Results of the Relevant Shareholders' Meeting of the A Share Market	Securities Time Post, The Wen Wei Po and South China Morning Post in Hong Kong	28 February 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of the share transfer in connection with the Share Segregation Reform's approval by the Ministry of Commerce of the PR	Securities Time Post, The Wen Wei Po and South China Morning Post in Hong Kong	17 March 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement in Relation to the Implementation of the Revised Reform Proposal	Securities Time Post	28 March 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn



Items	Newspapers designated for publishing reports	Publishing date	Website designated for disclosure of reports
Announcement in Relation to the Implementation of the Revised Reform Proposal	The Wen Wei Po and South China Morning Post in Hong Kong	28 March 2006	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of the Resolutions of the Fourth Meeting of the Fourth Board, Announcement of the Resolutions of the Fourth Meeting of the Fourth Supervisory Committee, Notice of the 2005 Annual General Meeting, Abstract of the 2005 Annual Report and the 2006 First Quarterly Report	China Securities Post, the Shanghai Securities Post	24 April 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
2005 Annual Results Announcement, 2006 First Quarterly Report, Notice of the Annual General Meeting	The Wen Wei Po and South China Morning Post in Hong Kong	24 April 2006	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of the Change of the Company's Website and Office Address	China Securities Post, the Shanghai Securities Post, The Wen Wei Po in Hong Kong	22 May 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn , Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Connected Transactions Announcement	China Securities Post, the Shanghai Securities Post, The Wen Wei Po and South China Morning Post in Hong Kong	23 May 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn , Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Items	Newspapers designated for publishing reports	Publishing date	Website designated for disclosure of reports
Resolutions Passed at the 2005 Annual General Meeting	China Securities Post, the Shanghai Securities Post, The Wen Wei Po and South China Morning Post in Hong Kong	19 June 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of the Resolutions of the Fifth Meeting of the Fourth Board	China Securities Post, the Shanghai Securities Post	3 July 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
Announcement on Widening of Hening Expressway	The Wen Wei Po and The Standard in Hong Kong	3 July 2006	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement on Implementation of the Payment of Dividends for 2005	China Securities Post, the Shanghai Securities Post	12 July 2006	Website of the Shanghai Stock Exchange: www.sse.com.cn
Connected Transactions Announcement	The Wen Wei Po and The Standard in Hong Kong	12 July 2006	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk



VIII CORPORATE GOVERNANCE

1. Code on Corporate Governance Practice

For the six months ended 30 June 2006, Directors of the Company confirmed that the Company has complied with the relevant requirements of the Appendix 14 “Code on Corporate Governance Practice” of the Listing Rules of the Stock Exchange of Hong Kong Limited (“Listing Rules”).

2. Audit Committee

During the reporting period, the Audit Committee convened two meetings, which reviewed the 2005 Annual Results Report and Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards, the 2006 First Quarterly Report, as well as the 2006 Interim Results Report and Unaudited Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards.

3. Independent Non-executive Director

The Company has appointed enough Independent Non-executive Directors with professional knowledge in accordance with Rules 3.10(1) and 3.10(2) of Listing Rules. The Company appointed 3 Independent Non-executive Directors, one of which is specialized in accounting and financial management.

4. Model Code for Securities Transactions for Directors and Supervisors of the Company

For the six months ended 30 June 2006, the Company has adopted the code provisions on the trading of shares of the Company by relevant directors contained in the “Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers” (“Model Code for Securities Transactions”) as set out in the Appendix 10 of the “Listing Rules”. After making specific enquiries of all directors and supervisors, the Company confirms that all directors and supervisors fully complied with the “Model Code for Securities Transactions”.

IX ACCOUNTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

30 June 2006

(All amounts in Renminbi thousands unless otherwise stated)

		As at	
	Note	30 June 2006 (unaudited)	31 December 2005 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,570,777	6,322,781
Land use rights	5	466,250	476,950
Intangible assets	5	3,314	3,552
Interest in associates		5,860	5,733
Prepayment for acquisition of minority interest	19	—	400,000
Available-for-sale financial assets	6	18,000	18,000
		<u>7,064,201</u>	<u>7,227,016</u>
Current assets			
Inventories		2,377	2,866
Trade and other receivables	7	7,274	25,350
Cash and cash equivalents		508,072	580,964
		<u>517,723</u>	<u>609,180</u>
Total assets		<u><u>7,581,924</u></u>	<u><u>7,836,196</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and share premium	8	3,106,069	3,106,069
Other reserves	9	(135,715)	610,004
Retained earnings			
-Proposed final dividend		—	464,411
-Others		1,948,842	1,448,212
		<u>4,919,196</u>	<u>5,628,696</u>
Minority interest		52,993	200,075
Total equity		<u><u>4,972,189</u></u>	<u><u>5,828,771</u></u>

The notes on pages 40 to 52 are an integral part of these condensed financial statements

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

30 June 2006

(All amounts in Renminbi thousands unless otherwise stated)

		As at	
	Note	30 June 2006 (unaudited)	31 December 2005 (audited)
LIABILITIES			
Non-current liabilities			
Long-term payables to minority shareholders of subsidiaries	12	268,342	754,656
Deferred income tax liabilities		214,793	316,582
		<u>483,135</u>	<u>1,071,238</u>
Current liabilities			
Trade and other payables	10	1,008,740	473,730
Current income tax liabilities		17,860	112,457
Borrowings	11	1,100,000	350,000
		<u>2,126,600</u>	<u>936,187</u>
Total liabilities		<u>2,609,735</u>	<u>2,007,425</u>
Total equity and liabilities		<u>7,581,924</u>	<u>7,836,196</u>
Net current liabilities		<u>1,608,877</u>	<u>327,007</u>
Total assets less current liabilities		<u>5,455,324</u>	<u>6,900,009</u>

The notes on pages 40 to 52 are an integral part of these condensed financial statements

Approved by the Board of Directors on 18 August 2006.

Wang Shui
Director

Li Yungui
Director

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2006

(All amounts in Renminbi thousands unless otherwise stated)

	Note	For the six months ended 30 June	
		30 June 2006 (unaudited)	31 December 2005 (unaudited)
Sales		805,992	734,993
Cost of sales	14	(248,536)	(263,483)
Gross profit		557,456	471,510
Other gains/(losses)-net	13	3,178	(8,868)
Administrative expenses	14	(72,277)	(77,134)
Operating profit		488,357	385,508
Finance costs	15	(46,476)	(31,169)
Share of profit / (loss) of associates		127	(84)
Profit before income tax		442,008	354,255
Income tax expense	16	11,968	(79,635)
Profit for the period		453,976	274,620
Attributable to :			
Equity holders of the Company		454,058	274,707
Minority interest		(82)	(87)
		453,976	274,620
Basic earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)	17	0.2738	0.1656
Dividends	18	—	—

The notes on pages 40 to 52 are an integral part of these condensed financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				Total
		Share capital and Share Premium	Other reserves	Retained earnings	Minority Interest	
Balance at 1 January 2005						
(audited)		3,106,069	427,193	1,575,135	201,130	5,309,527
Profit for the half-year						
(unaudited)		—	—	274,707	(87)	274,620
Appropriation to Enterprise						
Safety fund (unaudited)		—	7,621	(7,621)	—	—
Utilization of Enterprise						
Safety Fund (unaudited)		—	(203)	203	—	—
Dividends relating to 2004						
(unaudited)		—	—	(165,861)	—	(165,861)
Balance at 30 June 2005						
(unaudited)		<u>3,106,069</u>	<u>434,611</u>	<u>1,676,563</u>	<u>201,043</u>	<u>5,418,286</u>
Balance at 1 January 2006						
(audited)		3,106,069	610,004	1,912,623	200,075	5,828,771
Profit for the half-year						
(unaudited)		—	—	454,058	(82)	453,976
Appropriation to Enterprise						
Safety fund (unaudited)		—	7,916	(7,916)	—	—
Utilization of Enterprise						
Safety Fund (unaudited)		—	(204)	204	—	—
Acquisition of minority interests						
(unaudited)	19	—	—	—	(147,000)	(147,000)
Excess of the consideration over						
the carrying amount of the						
minority interests acquired						
(unaudited)	19	—	(699,147)	—	—	(699,147)
Transfer (unaudited)	9	—	(54,284)	54,284	—	—
Dividends relating to 2005						
(unaudited)		—	—	(464,411)	—	(464,411)
Balance at 30 June 2006						
(unaudited)		<u>3,106,069</u>	<u>(135,715)</u>	<u>1,948,842</u>	<u>52,993</u>	<u>4,972,189</u>

The notes on pages 40 to 52 are an integral part of these condensed financial statements

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2006

(All amounts in Renminbi thousands unless otherwise stated)

		For the six months ended 30 June	
		30 June	31 December
		2006	2005
	Note	(unaudited)	(unaudited)
Net cash generated from operating activities		473,945	405,048
Cash flows from investing activities			
Purchase of property, plant and equipment		(211,944)	(134,806)
Acquisition of minority interest	19	(950,000)	—
Proceeds from disposal of property, plant and equipment		35	—
Interest received		1,606	1,831
Dividends received		1,080	900
Net cash used in investing activities		(1,159,223)	(132,075)
Cash flows from financing activities			
Proceeds from borrowings		1,710,000	150,000
Repayments of borrowings		(960,000)	(450,000)
Dividends paid to the Company's shareholders		(137,614)	(58,877)
Net cash used in financing activities		612,386	(358,877)
Net decrease in cash and cash equivalents		(72,892)	(85,904)
Cash and cash equivalents at beginning of the period		580,964	678,042
Cash and cash equivalents at end of the period		508,072	592,138

The notes on pages 40 to 52 are an integral part of these condensed financial statements

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2006

(All amounts in Renminbi thousands unless otherwise stated)

1. General information

Anhui Expressway Company Limited ("the Company") was incorporated in the People's Republic of China ("PRC") on 15th August 1996 as a joint stock limited company. The Company and its subsidiaries are principally engaged in the operation and management of the toll roads in the Anhui Province.

The Company's H shares and A shares have been listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange since November 1996 and January 2003, respectively. The address of its registered office is No. 669, Changjiang West Road, Hefei, Anhui, the PRC.

The condensed consolidated interim financial information was approved by the Board of Directors for issue on 18 August 2006.

2. Basis of preparation

This condensed consolidated interim financial information for the half year ended 30 June 2006 has been prepared in accordance with IAS/HKAS 34, "Interim financial reporting". The interim condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005. As described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, Amendment to "The fair value option", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 21, Amendment "Net investment in a foreign operation", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, Amendment "Cash flow hedge accounting of forecast intragroup transactions", effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

3. Accounting policies (continued)

- Amendment to HKAS 39 and HKFRS 4, Amendment “Financial guarantee contracts”, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- HKFRS 6, “Exploration for and evaluation of mineral resources”, effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group;
- HK(IFRIC)-Int 4, “Determining whether an arrangement contains a lease”, effective for annual periods beginning on or after 1 January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17, “Leases”. However, these leases are operating leases, and their reclassification has had no impact on the expense recognised in respect of them;
- HK(IFRIC)-Int 5, “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds”, effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and
- HK(IFRIC)-Int 6, “Liabilities arising from participating in a specific market – waste electrical and electronic equipment”, effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

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

- HK(IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, “Scope of HKFRS 2”, effective for annual periods beginning on or after 1 May 2006. This amendment is not relevant for the Group;
- HK(IFRIC)-Int 9, “Reassessment of Embedded Derivatives”, effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assess if embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9; and
- HKFRS 7, “Financial instruments: Disclosures”, effective for annual periods beginning on or after 1 January 2007. HKAS 1, “Amendments to capital disclosures”, effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

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. Accordingly, 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 Anhui Province, PRC. Accordingly, no geographical segment data is presented.

5. Capital Expenditure

	Intangible assets			Property, plant and equipment	Land use rights
	Technology knowhow	Software costs	Total		
Six months ended 30 June 2005					
Opening net book amount					
as at 1 January 2005	2,742	231	2,973	6,124,461	498,368
Additions	—	365	365	193,505	—
Disposals	—	—	—	(20,802)	—
Depreciation/amortization (Note 14)	(175)	(18)	(193)	(103,087)	(10,700)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount					
as at 30 June 2005	<u>2,567</u>	<u>578</u>	<u>3,145</u>	<u>6,194,077</u>	<u>487,668</u>
Six months ended 30 June 2006					
Opening net book amount					
as at 1 January 2006	2,392	1,160	3,552	6,322,781	476,950
Additions	—	—	—	366,392	—
Disposals	—	—	—	(35)	—
Depreciation/amortization (Note 14)	(175)	(63)	(238)	(118,361)	(10,700)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount					
as at 30 June 2006	<u>2,217</u>	<u>1,097</u>	<u>3,314</u>	<u>6,570,777</u>	<u>466,250</u>

6. Available-for-sale financial assets

There were no disposals or impairment provisions on available-for-sale financial assets in the six months ended 30 June 2006.

Available-for-sale financial assets include the following:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Unlisted equity securities, at cost	<u>18,000</u>	<u>18,000</u>

The unlisted equity securities represent the Company's 18% equity interest in an un-listed company located in Anhui Province, the PRC. The securities are measured at cost less provision for impairment. Since there is no active market for similar equity instruments, the fair value of such equity securities cannot be measured reliably.

7. Trade and other receivables – Group

	30 June 2005 (unaudited)	31 December 2005 (audited)
Prepayments	269	7,909
Receivables from related parties (Note 21)	—	2,082
Others	<u>7,005</u>	<u>15,359</u>
	<u>7,274</u>	<u>25,350</u>

The carrying amounts of the trade and other receivables approximate their fair value.

8. Share capital and Share Premium

	Number of shares <i>(thousands)</i>	Ordinary shares	Share premium	Total
At 1 January 2005 and 2006	1,658,610	1,658,610	1,447,459	3,106,069
Changes in the period	—	—	—	—
At 30 June 2005 and 2006	<u>1,658,610</u>	<u>1,658,610</u>	<u>1,447,459</u>	<u>3,106,069</u>

The total authorised number of ordinary shares is 1,658,610,000 shares with a par value of RMB 1 per share. All issued shares are fully paid.

Share reform plan

Pursuant to the Revised Share Reform Plan announced by the Company on 14 February 2006, AEHC and Huajian Transportation Economic Development Center, both of whom are shareholders of the Company, proposed to offer, free of consideration, the holders of A Shares on the basis of 2 non-tradable shares and RMB 4.35 for every 10 A Shares held on 30 March 2006. The proposal has been approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province (Wan Guo Zi Chan Quan Han [2006] No. 50), Ministry of Commerce of the PRC (Shang Zi Pi [2006] No. 844) and has been approved in the relevant shareholders' meeting held on 27 February 2006.

9. Other Reserves

	Capital Surplus	Statutory Surplus Reserve Fund	Statutory Public Welfare Fund	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Excess of the consideration over carrying amount of the minority interests acquired (Note 19)	Total
Balance at 1 January 2005	2,397	218,575	194,783	658	10,780	—	427,193
Appropriation to							
Enterprise Safety Fund	—	—	—	—	7,621	—	7,621
Utilization of							
Enterprise Safety Fund	—	—	—	—	(203)	—	(203)
Balance at 30 June 2005	2,397	218,575	194,783	658	18,198	—	434,611
Profit appropriations	—	90,192	78,058	—	7,409	—	175,659
Utilization of Enterprise							
Safety Fund	—	—	—	—	(323)	—	(323)
Other additions	57	—	—	—	—	—	57
Balance at 31 December 2005	2,454	308,767	272,841	658	25,284	—	610,004
Acquisition of the minority interests of a subsidiary (Note 19)	—	—	—	—	—	(699,147)	(699,147)
Reclassification (a)	—	272,841	(272,841)	—	—	—	—
Transfer to retained earnings (b)	—	(54,284)	—	—	—	—	(54,284)
Appropriation to Enterprise							
Safety Fund	—	—	—	—	7,916	—	7,916
Utilization of Enterprise							
Safety Fund	—	—	—	—	(204)	—	(204)
Balance at 30 June 2006	2,454	527,324	—	658	32,996	(699,147)	(135,715)

(a) Pursuant to the relevant regulations issued by the Ministry of Finance of the PRC, the Company and its subsidiaries have ceased to appropriate the Statutory Public Welfare Fund from 1 January 2006 onwards. The balance of such fund as at 31 December 2005 should be reclassified to Statutory Surplus Reserve Fund accordingly.

(b) As Anhui Gao Jie Expressway Company Limited ("Gao Jie"), a subsidiary of the Company, completed its de-registration process and merged all of its assets and liabilities to the Company on 16 May 2006 (Note 19), its Statutory Surplus Reserve Fund of Gao Jie was transferred to retained earnings with the amount of approximately RMB 54,284,000.



10. Trade and other payables

	30 June 2006 (unaudited)	31 December 2005 (audited)
Payables on purchase of property, plant and equipment	404,343	249,896
Payables on repair and maintenance projects	55,351	18,262
Accrued expenses	18,416	6,379
Other taxation payables	39,580	34,319
Dividend payables	326,797	—
Other payables	164,253	164,874
	<u>1,008,740</u>	<u>473,730</u>

At 30 June 2006, all the trade and other payables were aged within one year.

11. Borrowings

	As at 30 June 2006		As at 31 December 2005	
	<i>Interest rate</i> <i>per annum</i> <i>(unaudited)</i>	<i>RMB'000</i>	<i>Interest rate</i> <i>per annum</i> <i>(audited)</i>	<i>RMB'000</i>
Current unsecured short-term bank borrowings	<u>4.860%</u>	<u>1,100,000</u>	<u>4.698%</u>	<u>350,000</u>

At 30 June 2006, the carrying amounts of short-term borrowings approximate their fair value.

The group has the following un-drawn borrowing facilities at the balance sheet date:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Floating rate and expiring within one year	<u>1,060,000</u>	<u>1,610,000</u>

12. Long-Term Payables to Minority Shareholders of Subsidiaries

The carrying amounts and fair values of long-term payables to minority shareholders of subsidiaries are as follows:

	Carrying Amounts		Fair values	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Long-term payables to minority shareholders of subsidiaries				
Xuancheng Highway Management Company ("XHMC")	268,342	260,430	250,685	258,415
Anhui Expressway Holding Company ("AEHC")	—	494,226	—	491,519
	<u>268,342</u>	<u>754,656</u>	<u>250,685</u>	<u>749,934</u>

Long-term payables to minority shareholders of subsidiaries comprised of payables to the minority shareholders of Xuan Guang Expressway Company Limited ("Xuang 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. The long-term payables to minority shareholders of subsidiaries is unsecured and free of interest. Long-term payables to AEHC was acquired by the Company at its fair value on 16 May, 2006 (Note 19). Detail of repayment term of long-term payables to XHMC is set out in Note 9 of 2005 annual financial statements.

The fair values of long-term payables to minority shareholders are based on cash flows discounted using 6.12%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 30 June 2006 (1 January 2006: 6.12%).

13. Other gain/(losses) – net

	For the six months ended	
	30 June 2006 (unaudited)	30 June 2005 (unaudited)
Dividend income	1,080	900
Interest income	1,605	1,831
Loss from disposal on fixed assets	—	(11,599)
Others	493	—
	<u>3,178</u>	<u>(8,868)</u>

14. Expenses by nature

Expenses included in cost of sales and administrative expenses are analyzed as follows:

	For the six months ended	
	30 June 2006 (unaudited)	30 June 2005 (unaudited)
Depreciation and amortization expenses (Note 5)	129,299	113,980
Repair and maintenance expenses	108,173	147,566
Employee benefit expenses	44,640	49,234
Others	38,701	29,837
	<u>320,813</u>	<u>340,617</u>

15. Finance costs

	For the six months ended	
	30 June 2005 (unaudited)	30 June 2005 (unaudited)
Interest expense on:		
- bank borrowings	28,937	9,576
- long-term payables to minority shareholders of subsidiaries	17,539	21,593
	<u>46,476</u>	<u>31,169</u>

16. Income tax expense

(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 is registered in the Hefei High Technology Industry Development Zone and certified as a high-tech company. Pursuant to the relevant tax laws and regulations of the PRC, the applicable EIT rate for the Company is at a reduced rate of 15%. The applicable EIT rate for other subsidiaries and associated companies of the Company are 33%.

	For the six months ended	
	30 June 2006 (unaudited)	30 June 2005 (unaudited)
Current income tax	89,820	77,717
Deferred income tax	(101,788)	1,918
	<u>(11,968)</u>	<u>79,635</u>

17. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. No diluted earnings per share is presented, as the Company has no dilutive potential shares.

	For the six months ended	
	30 June 2006 (unaudited)	30 June 2005 (unaudited)
Profit attributable to equity holders of the Company	454,058	274,707
Weighted average number of ordinary shares in issue (thousands)	<u>1,658,610</u>	<u>1,658,610</u>
Basic earnings per share (expressed in RMB per share)	<u>0.2738</u>	<u>0.1656</u>

18. Dividends

At a meeting held on 21 April 2006, the directors proposed a final dividend of RMB 0.28 per ordinary share for the year ended 31 December 2005. The proposed final dividend of RMB 464,410,800 was approved by the Annual General Meeting on 16 June 2006 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2006.

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2006 (2005: none).

19. Business combinations

On 4 March 2005, the Company entered into an agreement with AEHC to acquire (a) the long-term payables to AEHC booked in Gao Jie (Note 12); and (b) AEHC's 49% equity interest in Gao Jie, for a total consideration of RMB 1,350,000,000 (the "Transaction"). The relevant approval from government authorities for the transaction was obtained on 29 November 2005.

Pursuant to the agreement, the Company paid the consideration of RMB 400,000,000 and RMB 950,000,000 to AEHC on 28 December 2005 and 6 January 2006, respectively. Gao Jie was de-registered and merged all of its assets and liabilities to the Company on 16 May 2006, when the Transaction was completed.

Details of the Transaction are as follows:

Purchase consideration	
- cash paid	1,350,000
Less: Long-term payables to AEHC at fair value on 16 May 2006	(503,853)
AEHC's 49% equity interest in Gao Jie	<u>(147,000)</u>
Excess of the consideration over the carrying amount of the interests acquired	<u><u>699,147</u></u>

Such excess of the consideration over the carrying amount of the interests acquired is recognized directly in equity and attributed to the equity holders of the Company.(Note 9)

20. Commitments

Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Property, plant and equipment - authorized but not contracted for	253,336	577,370
Acquisition of minority interest (Note 19) - contracted but not provided for	<u>—</u>	<u>950,000</u>
	<u>253,336</u>	<u>1,527,370</u>

21. Related-party transactions

Apart from the acquisition of the long-term payables and the 49% minority interests in Gao Jie from AEHC as disclosed in Note 19, the following transactions were carried out with related parties:

i) Purchases of services

	For the six months ended	
	2006 (unaudited)	2005 (unaudited)
Road maintenance service provided by Anhui Kaiyuan Road Maintenance Project Company Limited ("AHKY")	<u>299</u>	<u>—</u>

21. Related-party transactions (continued)

ii) Period-end balances

	30 June 2006 (unaudited)	31 December 2005 (audited)
Receivables from related parties (Note 7):		
AEHC	—	530
ALEC	—	1,552
	<u>—</u>	<u>2,082</u>
	<u><u>—</u></u>	<u><u>2,082</u></u>
Payables to related parties :		
AEHC	—	1,786
BAIC	—	11,816
AHKY	299	—
	<u>299</u>	<u>13,602</u>
	<u><u>299</u></u>	<u><u>13,602</u></u>
Long-term payables to minority shareholders of subsidiaries (Note 12)		
AEHC	—	494,226
XHMC	268,342	260,430
	<u>268,342</u>	<u>754,656</u>
	<u><u>268,342</u></u>	<u><u>754,656</u></u>

As at 30 June 2006, amounts due from and due to the related parties, except for long term payables to minority shareholders of subsidiaries as disclosed in Note 12, mainly arose from the above transactions and payments made by the Company and related parties on behalf of each other. These amounts are unsecured, interest-free and are repayable within 1 year.

22. Reclassification of comparative figures

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

X 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 stamped with corporate seal;
3. The original copies of corporate documents and announcements published in the Shanghai Securities Post, China Securities Post, Securities Time Post, the South China Morning Post in Hong Kong, the Wen Wei Po in Hong Kong and the Standard 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

18 August 2006



XI CONFIRMATION OPINION OF THE INTERIM REPORT

Confirmation Opinion to 2006 Interim Report by Directors and Senior Management

Being the Directors and Senior Management of Anhui Expressway Company Limited, we hereby confirm in writing that the content of the 2006 interim report is authentic, accurate, complete, of the opinion that there are no false representations or misleading statements contained in or material omissions from this report; and shall be severally and jointly accept responsibility for the authenticity, accuracy and completeness of the content of this report.

Directors' Signature:

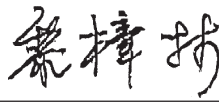
Wang Shui: _____ 

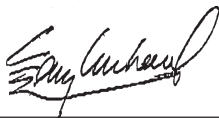
Li Yungui: _____ 

Tu Xiaobei: _____ 

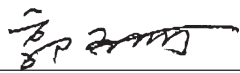
Zhang Hui: _____ 

Zhang Wensheng: _____ 

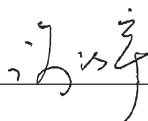
Li Zhanglin: _____ 

Leung Man Kit: _____ 

Li Mei: _____ 

Guo Shan: _____ 

Senior Management Members' Signatures:

Xie Xinyu: _____ 

Wang Changyin: _____ 