

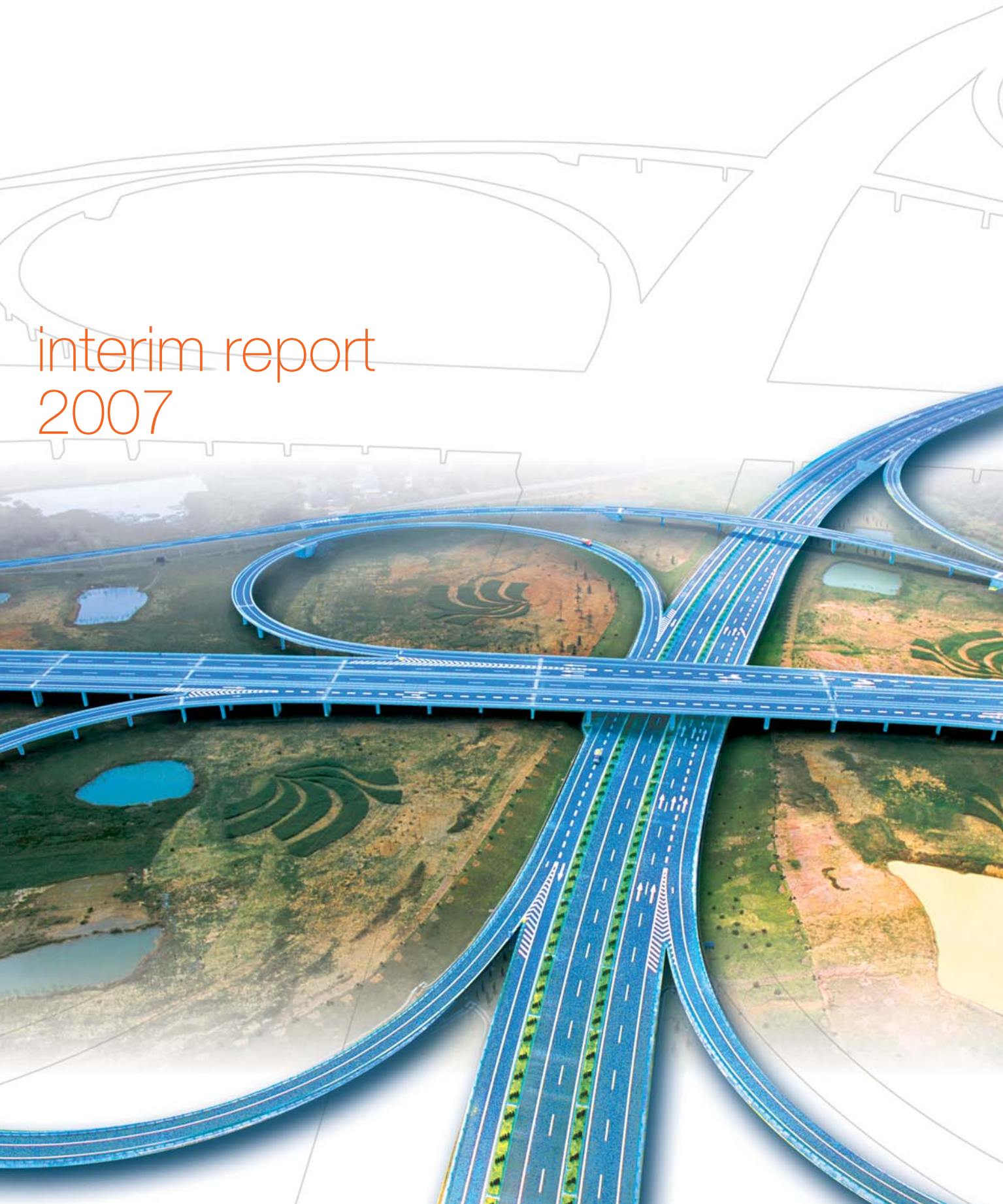


Anhui Expressway Company Limited

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

(H Share Stock Code : 0995, A Share Stock Code : 600012)

interim report
2007



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IMPORTANT NOTICE

The Board of the Directors, the Supervisory Committee and the Directors, Supervisors and the Senior Management 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.

The unaudited financial statements was prepared in accordance with the PRC and Hong Kong Accounting Standards and was reviewed by the Audit Committee of the Company.

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.

SECTION I CORPORATE PROFILE

I General Information

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
Legal representative of the Company	:	Wang Shui
Secretary to the Board of the Company	:	Xie Xinyu
Telephone	:	0551-5338681
Representative of Securities Affairs	:	Han Rong, 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
Registered address of the Company	:	520 Wangjiang 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
Newspapers designated for publishing report	:	Domestic: Shanghai Securities Post and China Securities Post, Hong Kong: Hong Kong Commercial Daily and The Standard in Hong Kong
Websites designated for disclosure of interim report	:	http://www.sse.com.cn http://www.hkex.com.hk http://www.anhui-expressway.cn

Addresses designated for keeping 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 at 520 Wangjiang West Road, Hefei, Anhui, the PRC
Stock Exchange on which the Company's shares are listed Stock code	: A Shares: Shanghai Stock Exchange Stock code: 600012 Short name: Wantong Expressway H Shares: The Stock Exchange of Hong Kong Limited Stock code: 0995 Short name: Anhui Expressway
PRC Accountants	: PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co.,Ltd 11th Floor, PricewaterhouseCoopers Center, Hubin Road, Shanghai
Hong Kong Accountants	: PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building, Central, Hong Kong
PRC Legal Adviser	: Anhui Expressway Lawyer's Office 8 Meiling Avenue, Hefei, Anhui, the PRC
Hong Kong Legal Adviser	: Gallant Y.T.Ho & Co 5th Floor, Jardine House, 1 Connaught Place, Hong Kong
Domestic share registrar	: China Securities Central Clearing and Registration Corporation, Shanghai Branch, 36th Floor, China Insurance Mansion, 166 Lujiazui East Road, Shanghai
Overseas share registrar	: Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

II Corporate Profile

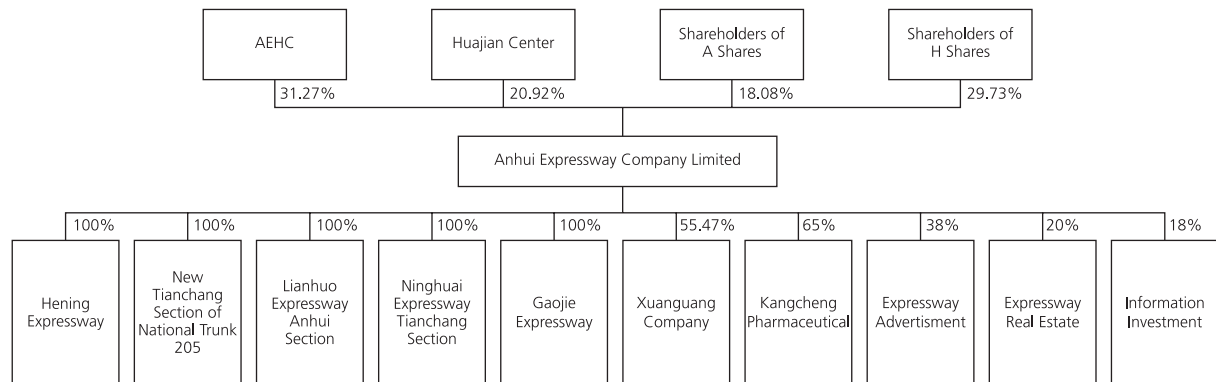
Anhui Expressway Company Limited (the "Company") was incorporated on 15 August 1996 as a joint stock limited company in Anhui Province, the People's Republic of China (the "PRC").

The Company is principally engaged in the operation and management of toll expressways and relevant business in Anhui Province, the PRC.

The Company is the first PRC highway company listed in Hong Kong. It is also the only listed highway company in Anhui Province. On 13th November 1996, H Shares issued by the Company were listed on The Stock Exchange of Hong Kong Limited (Stock code: 0995). On 7th January 2003, A Shares issued by the Company were listed on Shanghai Stock Exchange (Stock code: 600012).

The core business of the Company is the investment, construction, operation and management of toll roads. The Company owns total or partial equities of Hening Expressway, New Tianchang Section of National Trunk 205, Gaojie Expressway, Xuanguang Expressway, Ninghuai Expressway Tianchang Section and Lianhuo Expressway Anhui Section, which are toll highways in Anhui Province.

The structure of the Company, subsidiaries and associated companies (the "Group"):



Notes:

"AEHC"	Means	Anhui Expressway Holding Corporation
"Huajian Center"	Means	Huajian Transportation Economic Development Center
"Gaojie Company "	Means	Anhui Gaojie Expressway Company Limited (Has been de-registered)
"Xuanguang Company"	Means	Xuanguang Expressway Company Limited
"Kangcheng Pharmaceutical"	Means	Anhui Kangcheng Pharmaceutical Company Limited
"Expressway Advertisement"	Means	Anhui Provincial Expressway Advertisement Company Limited
"Information Investment"	Means	Hefei Information Investment Company Limited
"Expressway Real Estate"	Means	Anhui Expressway Real Estate Company Limited
"Xuancheng Highway Management"	Means	Xuancheng Highway Construction and Management Company Limited

SECTION 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

(Unit: RMB)

	At the end of the reporting period	At the end of the previous year		Change (%)
		After adjustment	Before adjustment	
Total assets	7,006,941,723.29	7,247,814,462.56	7,232,966,765.63	-3.32
Equity holders (or shareholders' equities)	4,384,118,910.13	4,933,555,375.43	4,920,872,210.33	-11.14
Net asset per share (RMB)	2.6432	2.9745	2.9669	-11.14
	Reporting period (January-June)	Corresponding period last year		Change (%)
		After adjustment	Before adjustment	
Operating profit	499,831,070.31	412,227,999.89	411,020,855.99	21.25
Total profit	499,940,665.72	412,720,635.84	412,720,635.84	21.13
Net profit	308,005,943.72	322,980,946.04	322,980,946.04	-4.64
Net profit after extraordinary items	307,938,476.34	322,635,942.54	322,635,942.54	-4.56
Basic earnings per share (RMB)	0.1857	0.1947	0.1947	-4.62
Diluted earnings per share (RMB)	0.1857	0.1947	0.1947	-4.62
Returns on net assets (%)	7.03	7.19	7.19	-2.23
Net cash flows from operating activities	517,834,912.33	503,116,912.85	503,116,912.85	2.93
Net cash flows from operating activities per share	0.31	0.30	0.30	2.93

Note: The above-mentioned financial statistics and indicators such as equity holders, net asset per share, net profit and net profit after extraordinary items are based on figures attributable to shareholders of the parent company.

2 Extraordinary items deducted and amounts involved

Unit:RMB

Extraordinary items	Amounts
Non-operating income excluding disposal of fixed assets	149,550.46
Non-operating expenses-disposals of fixed assets	-16,997.65
Non-operating expenses excluding disposals of fixed assets	-31,855.22
Impact of income tax on extraordinary items	-33,230.21
Total	67,467.38

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

	2007 RMB'000	2006 RMB'000	Change (%)
Turnover	805,571	805,992	-0.05
Profit before income taxation	527,069	442,008	19.24
Profit attributable to equity holders of the Company	273,614	454,058	-39.74
Basic earnings per share attributable to equity holders of the Company (RMB)	0.1650	0.2738	-39.74

Summary of assets

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000	Change (%)
Total assets	7,953,331	7,711,396	3.14
Total liabilities	2,605,331	2,249,935	15.80
Total net assets (Total equities)	5,348,000	5,461,461	-2.08
Net assets per share (RMB)	3.2244	3.2928	-2.08

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

Reconciliation between PRC and HKGAAP Accounts	Net profit as at 30 June (Excluding minority profit and loss)		Shareholders' equities (Excluding minority interests)	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	30 June 2007 (Unaudited) RMB'000	31 December 2006 (restated) RMB'000
Amount reported in accordance with the Enterprise Accounting Standards	308,006	322,981	4,384,119	4,933,555
Adjustments made in accordance with the Hong Kong Accounting Standards				
1. Adjustment on fair value of long-term payables (a)	(5,798)	(17,539)	154,349	160,147
2. Appraisal of expressways and buildings and their depreciation (b)	30,034	31,899	920,851	890,817
3. Appraisal of land use rights and their amortization (b)	(690)	(690)	26,317	27,007
4. Accounting for appropriation and utilization of enterprise safety (c)	(712)	7,711	40,108	40,820
5. Accounting for goodwill and their amortization (d)	—	7,907	—	(442,789)
6. Deferred taxation (e)	(57,226)	101,789	(270,432)	(213,206)
Amount as reported in accordance with the Hong Kong Accounting Standards	273,614	454,058	5,255,312	5,396,351

Explanation of adjustments

- a. In the financial statements, which are prepared in accordance with the Hong Kong Accounting Standards, the Group applied HKAS 39 to record the long-term payables to Xuancheng Highway Management Company Limited and AEHC, which were initially booked at fair value and subsequently stated at amortized costs. The difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest methods (The Company repaid all the long-term payables to AEHC in the first half of 2006). In the Statutory Statements for the six months ended 30 June 2007, the long-term payables were based on funds received (without considering fair values), thus leading to the afore-mentioned adjustments. The Group intends to present the long-term payables based on fair values in the Statutory Statements of 2007 to eliminate such difference.

- b. In order to issue and list H shares, the non-current assets and 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 more than that evaluated by the Chinese institution by the amount of RMB319 million. Furthermore, depreciation of expressways and buildings and amortization of land use rights were calculated according to unit-of-usage method in the financial statements prepared in accordance with the Hong Kong Accounting Standards, whereas they were calculated according to the straight-line method in the statutory financial statements. Such differences 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 items.
- c. According to the relevant rules and regulations as set out by the authorities, the Group has provided 1% for enterprise safety fund starting from 1 January 2004, which is based on the toll income for the reporting period in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprise, which is classified as long term payable and will be offset during its utilization. According to the relevant rules and regulations as set out by Ministry of Finance of China, seeing that the safety fund remainings as at the end of the reporting period has surpassed 2% of toll income of last year, the Group will not provide enterprise safety fund starting from 1 July 2007. In the financial statements prepared in accordance with the HKGAAP, such utilization will be classified as expenses, and accordingly, such discrepancy will affect the operational results of the Group, hence the above adjustments were made.
- d. In the Statutory Statements for 2006, in which the goodwill resulted from the acquisition of 49% equity interests in Gaojie Company from AEHC was recorded as intangible assets, subject to 10 year amortization. Since the Group's implementation of the PRC Accounting Standards 1 January 2007, the outstanding balance from the unamortised goodwill resulted from the afore-mentioned transaction has been set-off against capital surplus-share premium in the Group's consolidated financial statements. While in the financial statements prepared under the Hong Kong accounting standards, such differences had been directly accounted as shareholders' equity in 2006, thereby no adjustment is needed during the reporting period.
- e. Difference in the afore-mentioned accounting practices and changes in the applicable tax rate used in calculating deferred taxes also led to the corresponding adjustments in deferred income tax.

SECTION III CHANGE OF SHARE CAPITAL AND SHAREHOLDINGS

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

During the reporting period, the total share capital of the Company was not changed. Due to the partial circulating of the first part of restricted circulating shares after restricted terms after the Share Segregation Reform, the capital structure of the Company changed.

(I) Change of shareholdings

(Unit: thousand shares)

	Before changes			Increases (+) or Decreases (-)			After changes		
	Number of shares	Percentage (%)	Allotment	Bonus	Transfer from Reserves	Restricted from circulating Shares	Sub-total	Number of shares	Percentage (%)
I. Restricted circulating shares									
1. State-owned Shares	518,581	31.27				-82,930.5	-82,930.5	435,650.5	26.27
2. State-owned legal person shares	347,019	20.92				-82,930.5	-82,930.5	264,088.5	15.92
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	<u>865,600</u>	<u>52.19</u>				<u>-165,861</u>	<u>-165,861</u>	<u>699,739</u>	<u>42.19</u>
II. Unrestricted circulating shares									
1. Renminbi-denominated ordinary shares	300,000	18.08				+165,861	+165,861	456,861	28.08
2. Domestic-listed foreign shares									
3. Overseas-listed foreign shares	493,010	29.73						493,010	29.73
4. Others									
Total unrestricted circulating shares	<u>743,010</u>	<u>44.80</u>				<u>+165,861</u>	<u>+165,861</u>	<u>958,871</u>	<u>57.81</u>
III. Total shares	<u>1,658,610</u>	<u>100</u>				<u>0</u>	<u>0</u>	<u>1,658,610</u>	<u>100</u>

(II) Approval of the change of share capital structure

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 Record Date was 30 March 2006 and the shares re-traded after the implementation of the Share Segregation Reform Proposal on 3 April 2006. According to the undertakings in the Share Segregation Reform Proposal, 165,861,000 restricted circulating shares held by Huajian Transportation Economic Development Center and Anhui Expressway Holding Corporation will be changed to unrestricted circulating shares on 3 April 2007.

(III) Purchase, Sale and Redemption of the Company's Shares

During the reporting period, the Company did not repurchase any of its listed shares, nor purchase or resell any listed shares of the Company.

(IV) Sufficiency of Public Float

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained sufficient public float as at the latest practicable date prior to the printing of this annual report.

II. Shareholders

(I) Number of shareholders as at the end of the reporting period

As of 30 June 2007, the total number of shareholders, the ten largest shareholders and the ten largest shareholders of unrestricted circulating shares in accordance with the shareholders' register provided by the Hong Kong and domestic registrars of the Company were as follows:

The total number of shareholders	There were total of 58,981 shareholders of the Company, which consist of one state-owned shareholder, one state-owned legal person shareholder, 58,915 A shareholders and 64 H shareholders.
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The shareholding of the ten largest shareholders of all shares of the Company

Name of shareholders	Nature of shareholders	Percentage	Total holding shares	Change during the reporting period	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	0	435,650,500	None
HKSCC NOMINEES LTD (agent)	Holders of foreign shares	29.33%	486,463,898	+208,000		Not known
Huajian Transportation Economic Development Center	Holders of State-owned shares	20.92%	347,019,000	0	264,088,500	None
National Social Insurance Fund-108 Composition	Others	1.02%	17,000,000	-3,300,000		Not known
Agriculture Bank of China-Franklin Guohai Elastic Market Value Stock Securities Investment Fund	Others	0.59%	9,761,352	-3,137,738		Not known
National Social Insurance Fund-102 Composition	Others	0.48%	8,000,000	-2,000,000		Not known
Industrial and Commercial bank of China-Yifangda Value Growth Mixed Securities Investment Fund	Others	0.43%	7,099,966	Not clear		Not known
Bank of China-Yifangda Active Growth Securities Investment Fund	Others	0.36%	5,900,000	Not clear		Not known
ARSENTON NOMINEES LIMITED (agent)	Holders of foreign shares	0.29%	4,802,000	0		Not known
China Life Insurance (Group) Company Traditional-Common Insurance Products	Others	0.26%	4,299,950	Not clear		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)	486,463,898	Overseas-listed foreign shares
Anhui Expressway Holding Corporation	82,930,500	Renminbi-denominated ordinary shares
Huajian Transportation Economic Development Center	82,930,500	Renminbi-denominated ordinary shares
National Social Insurance Fund-108 Composition	17,000,000	Renminbi-denominated ordinary shares
Agriculture Bank of China-Franklin Guohai Elastic Market Value Stock Securities Investment Fund	9,761,352	Renminbi-denominated ordinary shares
National Social Insurance Fund-102 Composition	8,000,000	Renminbi-denominated ordinary shares
Industrial and Commercial bank of China-Yifangda Value Growth Mixed Securities Investment Fund	7,099,966	Overseas-listed foreign shares
Bank of China-Yifangda Active Growth Securities Investment Fund	5,900,000	Renminbi-denominated ordinary shares
ARSENTON NOMINEES LIMITED (agent)	4,802,000	Overseas-listed foreign shares
China Life Insurance (Group) Company-Traditional-Common Insurance Products	4,299,950	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 and the State-owned legal person Shareholders in the above chart. The connected relationship amongst other shareholders cannot be ascertained, nor be known whether they belong to the consistent action stipulated in "Provisions on Information disclosure Management of Shareholders' Shareholding changes of Listed Companies".

Note: H Shares held by HKSCC NOMINEES LIMITED and ARSENTON NOMINEES LIMITED represented the holding of many clients.

(II) *Shareholdings and the restricted conditions*

Name of holders of restricted shares	Number of restricted shares	As a percentage of the total share capital (%)	Trading date	Restricted conditions
Anhui Expressway Holding Corporation	82,930,500 352,720,000	5.00 21.27	3 April 2008 3 April 2009	Note
Huajian Transportation	82,930,500	5.00	3 April 2008	
Economic Development Center	181,158,000	10.92	3 April 2009	

Note:

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; 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).

(III) *Persons 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 2007, 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, 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 end of period (shares)	Increases or decreases during the reporting period	Type of shares	As a % of total capital	Pledged or locked-up
Anhui Expressway Holding Corporation	518,581,000	—	State-owned shares	31.27%	No
Huajian Transportation Economic Development Center	347,019,000	—	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	58,994,000L	Not clear	H Shares	11.97	Not clear
JPMorgan Chase & Co.	44,597,857L 44,597,857P	Not clear	H Shares	9.05 9.05	Not clear
Deutsche Bank Aktiengesellschaft	34,211,000L 1,724,000S	Not clear	H Shares	6.94 0.35	Not clear
Colonial First State Group Ltd	33,358,000L	Not clear	H Shares	6.77	Not clear
Colonial Holding Company (No.2) Pty Limited	33,358,000L	Not clear	H Shares	6.77	Not clear
Colonial Holding Company Pty Ltd.	33,358,000L	Not clear	H Shares	6.77	Not clear
Colonial Ltd	33,358,000L	Not clear	H Shares	6.77	Not clear

Names	At end of period (shares)	Increases or decreases during period	Type of shares	As a % of total H Shares	Pledged or locked-up
First State Investment Managers (Asia) Ltd	33,358,000L	Not clear	H Shares	6.77	Not clear
First State Investments (Bermuda) Ltd	33,358,000L	Not clear	H Shares	6.77	Not clear
The Colonial Mutual Life Assurance Society Ltd	33,358,000L	Not clear	H Shares	6.77	Not clear
First State (Hong Kong) LLC	32,166,000L	Not clear	H Shares	6.52	Not clear
First State Investments (Hong Kong) Limited	30,712,000L	Not clear	H Shares	6.23	Not clear
First State Investments (Singapore)	30,608,000L	Not clear	H Shares	6.21	Not clear
First State Investments Holdings (Singapore) Limited	30,608,000L	Not clear	H Shares	6.21	Not clear
T. Rowe Price Associates, Inc. And Its Affiliates	25,004,000L	Not clear	H Shares	5.07	Not clear

L = Long Position

S = Short 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 2007.

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

As of 30 June 2007, the Company did not repurchase any of its listed shares, nor purchased or re-sell 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.

SECTION 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.

2. Appointment and dismissal of Directors, Supervisors and Senior Management

Mr. Zhang Hui, the former deputy general manager of the Company resigned his post as executive director, deputy general manager and the authorized representative of the Company for his job changes. The Board of Directors of the Company pays high value for his performance during his terms and expresses great thanks for his diligent work.

According to relevant stipulations of the Stock Exchange of Hong Kong Limited, the Board of Directors of the Company appointed immediately Mr. Li Yungui, the director of the Company as the authorized representative in Hong Kong.

3. Interests to be disclosed of Directors, Supervisors and Senior Management

As at 30 June 2007, 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 Hong Kong Stock Exchange 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.

SECTION V CHAIRMAN'S STATEMENT

During the reporting period, in accordance with the PRC accounting standards, the Group recorded a revenue of RMB832,777,000 for the whole year. The unaudited net profit attributable to shareholders of the parent company was RMB308,006,000, basic earnings per share was RMB0.1857. In accordance with Hong Kong accounting standards, the unaudited net profit attributable to equity holders of the Company was RMB273,614,000, basic earnings per share was RMB0.1650.

Review

In the first half of 2007, the economy of the PRC maintained a strong growing trend, the total GDP reached RMB10,700 billion, an 11.5% increase over the same period last year. In the first half, economy in Anhui Province also maintained a good developing trend of rapid and healthy growth, with total GDP of the whole province attaining RMB340 billion, an increase of 13.2% over the corresponding period last year. The high speed economic growth brings rapid increase to the traffic volume which becomes the major motive for the growth of demands in the industry. In the first half of 2007, the national highway transportation turnover volumes of goods increased by 16.9% over the same period last year while turnover volumes of passengers had an 11.9% increase as compared with the same period last year.

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During the first half year, the widening project of Hening Expressway proceeded smoothly, the reconstruction of South Ring Road of Xuanguang Expressway and Gaojie Expressway has also formally started in July 2007. The widening and the reconstruction of above roads have created room for the increase in the traffic volume for the Company's highway assets. After the completion of reconstructions for the Company's major highway assets, the Company will be able to share in greater extent the traffic volume increase resulted from the regional economic growth and improved highway network effect.

During the first half year, in accordance with the requirements of China's Securities Regulatory Commission, the Company seriously commenced with the specific activities of corporate governance. Currently, the Company has basically completed the self-checking phase of specific corporate governance activities and proceeded into the phase of public assessment. The Company will henceforth consistently make improving governance quality as a major job to enhance corporate governance structure.

During the first half of the year, the Anhui Province continued to speed up the pace of expressway constructions, the Eastern Section of the Yanjiang Expressway had been completed and was put into operation, sections of Tongtang, Tangtun, Heliuye and Hehuaifu Expressways are also expected to be completed and put into operation within the year. The total expressway mileage in the province will reach 2,400 km by the end of the year, and the expressway network connecting major cities of the province will be basically formed. Formation of urban highway network will stimulate a leap in inter-city expressway delivery demands in the region, which shall bring intrinsic growth to the traffic volume; on the other hand, the development rate of expressways is faster than the increase of turnover volumes of passengers and goods lead to traffic diversification.

Outlook

The urbanization trend and the speedy increase of vehicle ownership in China will continue to propel a faster demand growth in highway transportation. The constantly increasing transportation demand and the huge development potential of the regional economy will be the major driving force for the Company's development.

The sustained growth of the PRC economy and the rapid development of the industry have provided a favorable external environment for the continued growth of the Company, but the Company will also face problems of increasing difficulties in project acquisitions, the recurrence of diversification effect, competitions from other forms of transportation and fuel taxation reforms. The Company will continue to seek support from the major shareholders in future, and make use of the accumulated industrial management experience internally to fully develop the intrinsic growth potentials, lower the Operating costs so as to enhance the intrinsic competitiveness on the basis of improvements to the Company's existing highway service quality. Externally, emphasis will be on the grasping of opportunities; through the continued identification and acquisition of quality highway projects to expand the scope of the Company's key operations. The Company will insist on its key operations, enhance the Company's economic efficiency, and strengthen the Company's overall strength, so as to enable the enterprise to keep its advantages in a fierce competitive environment to create better results.

I would like to express my heartfelt thanks for the support of all the shareholders, the close cooperation of the Board and the Supervisory Committee and the efforts of the whole staff.

Chairman

Wang Shui

Hefei, Anhui, the PRC
24 August 2007

SECTION VI REPORT OF THE BOARD OF DIRECTORS

During the reporting period, in accordance with the PRC Accounting Standards, the Group achieved a revenue of RMB832,777,000 (Corresponding period in 2006: RMB832,174,000), representing an increase of 0.07% compared with that of the corresponding period of last year. The total profit was RMB499,941,000 (Corresponding period in 2006: RMB412,721,000), representing an increase of 21.13% compared with that of the corresponding period of last year. Unaudited net profit attributable to shareholders of the parent company reached RMB308,006,000 (Corresponding period in 2006: RMB322,981,000), representing a decrease of 4.64% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.1857 (Corresponding period in 2006: RMB0.1947), representing a decrease of 4.62% compared with that of the corresponding period of last year. The decrease of net profit was mainly due to the adjustment of income taxation rate of 15% to 33%, which resulted in the substantial increase of income taxation.

In accordance with the Hong Kong Accounting Standards, the Group achieved a turnover of RMB805,571,000, representing a decrease of 0.05% compared with that of the corresponding period of last year. Profit before taxation was RMB527,069,000, representing an increase of 19.24% compared with that of the corresponding period of last year. Unaudited equity holders of the Company of RMB273,614,000 was achieved, representing a decrease of 39.74% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.1650, representing a decrease of 39.74% compared with that of the corresponding period of last year. The decrease of equity holders of the Company was mainly due to, on one hand, the adjustment of income taxation rate of 15% to 33%, which resulted in the substantial increase of income taxation; on the other hand, in the half of 2006, the acquisition of 49% interests in Gaojie Company resulted in a decrease of RMB147,632,000 of deferred income taxation, there was no change during this period.

I Business Review (In accordance with the PRC Accounting Standards)

1 Toll Expressways

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), Ninghuai Expressway Tianchang Section (14 km) and New Tianchang Section of National Trunk 205 (30 km) with a total mileage of 426km.

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Commencement of operation	Remaining term of operation
Hening Expressway	134	4	8	3	1991	19
New Tianchang Section of National Trunk 205	30	4	1	—	1997	19
Gaojie Expressway	110	4	3	4	1999	22
Xuanguang Expressway	84	4	4	1	1997	21
Lianhuo Expressway Anhui Section	54	4	5	1	2002	25
Ninghuai Expressway Tianchang Section	14	6	1	1	2006	2

Note: The toll collection period of Ninghuai Expressway Tianchang Section is tentatively fixed at 3 years with effective from the date of collection of tolls. The formal toll collection period will be determined by the future evaluation.

During the reporting period, the traffic volumes and toll income of highways held by the Group had increase and decrease respectively. The Group achieved a revenue of RMB832,777,000, representing an increase of 0.07% compared with that of the corresponding period of last year.

Operations of Each Road

Name of roads	Share of interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		First half of 2007	First half of 2006	Change (%)	First half of 2007	First half of 2006	Change (%)
		Hening Expressway	100%	15,113	15,814	-4.43	317,890
New Tianchang Section of National Trunk 205	100%	8,343	15,849	-47.36	34,620	54,927	-36.97
Gaojie Expressway	100%	9,591	8,231	16.52	217,821	186,634	16.71
Xuanguang Expressway	55.47%	10,358	9,064	14.28	142,473	142,080	0.28
Lianhuo Expressway							
Anhui Section	100%	7,358	8,708	-15.50	91,661	108,385	-15.43
Ninghuai Expressway							
Tianchang Section	100%	8,450	—	Not applicable	16,046	—	Not applicable

Note: Ninghuai Expressway Tianchang Section was opened to traffic on 18 December 2006.

Name of roads	Share of interests	Proportion of passenger vehicles to goods vehicles		Toll income per vehicle (RMB)		
		First half of 2007	First half of 2006	First half of 2007	First half of 2006	Change (%)
		Hening Expressway	100%	60:40	63:37	116
New Tianchang Section of National Trunk 205	100%	41:59	57:43	23	19	21.05
Gaojie Expressway	100%	39:61	41:59	126	125	0.80
Xuanguang Expressway	55.47%	49:51	48:52	76	87	-12.64
Lianhuo Expressway						
Anhui Section	100%	33:67	33:67	69	69	—
Ninghuai Expressway						
Tianchang Section	100%	76:24	—	10	—	Not applicable

Note: Ninghuai Expressway Tianchang Section was opened to traffic on 18 December 2006.

Ninghuai Expressway Tianchang Section's open to traffic diverted the traffic volumes of New Tianchang Section of National Trunk 205, the traffic volumes of which had a substantial decrease compared with that of the corresponding period of last year. With the calculation combining the above two highways, the converted average daily traffic volumes for entire journey for the first half of 2007 was 16,793, representing an increase of 5.96% compared with that of the corresponding period of last year, the toll income was RMB50,634,000, representing a decrease of 7.82% compared with that of the corresponding period of last year. The reason for the decrease of toll income was that the mileage of Ninghuai Expressway Tianchang was 14 km, which was far shorter compared with New Tianchang Section of National Trunk 205 mileage of 30 km.

Due to the constant denseness of highway networks in the north of Anhui Province, traffic volumes of Hening Expressway and Lianhuo Expressway Anhui Section decreased to some extent.

The reconstruction of Xuanguang Expressway was completed in October 2006, traffic volumes of which are stably being resumed. Owing to the decrease of goods vehicles' percentage and change of structure, the increase of toll income was much lower than that of traffic volumes.

2. *Operating results of subsidiaries of the Company (In accordance with the PRC Accounting Standards):*

Unit: RMB'000

	Revenue	Operating costs	Operating profit	Net profit
Xuanguang Expressway Company Limited ("Xuanguang Company")	143,262	36,184	91,380	61,284

3. *Investment*

(1) **Widening of four-lane to eight-lane of Hening Expressway**

The widening of four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006. The widening works is to be completed within 3 years with a total length of 42.64 km. The investment of the widening works is expected to be approximately RMB1,964 million.

During the reporting period, RMB276 million was invested in the widening works, as at the end of the reporting period, the accumulated investment was RMB410 million.

(2) **The construction of Wantong Expressway Hi-tech Industrial Park**

The investment of the construction of Wantong Expressway Hi-tech Industrial Park is expected to be approximately RMB142 million and finished at the end of 2009. During the reporting period, RMB9,791,000 was invested in the construction of Wantong Expressway Hi-tech Industrial Park

II Operation Results Analysis (in accordance with the PRC Accounting Standards)

Key financial index	(January-June)	(January-June)	Change (%)
	2007 (RMB'000)	2006 (RMB'000)	
Revenue	832,777	832,174	0.07
Operating costs	230,975	288,108	-19.83
Operating profit	499,831	412,228	21.25
Administrative expenses	49,369	79,650	-38.02
Finance costs	26,400	27,866	-5.26
Net profit attributable to shareholders of parent company	308,006	322,981	-4.64

Revenue

During the reporting period, the Group achieved a revenue of RMB832,777,000, representing an increase of 0.07% compared with that of the corresponding period of last year. Among which, Hening Expressway, New Tianchang Section of National Trunk 205, Gaojie Expressway, Xuanguang Expressway and Lianhuo Expressway Anhui Section represented an increase (a decrease) of 1.91%, -33.94%, 14.04%, 0.29% and -16.44% compared with that of the corresponding period of last year respectively.

Composition and percentage of revenue (including toll income and other business income) are as follows:

Name of the roads	(January-June)	As a percentage of the	(January-June)	As a percentage of the
	2007 (RMB'000)	total income (%)	2006 (RMB'000)	total income (%)
Hening Expressway	322,123	38.68	328,385	39.46
New Tianchang Section of National Trunk 205	36,396	4.37	55,092	6.62
Gaojie Expressway	221,722	26.63	194,431	23.36
Xuanguang Expressway	143,262	17.20	142,853	17.17
Lianhuo Expressway Anhui Section	93,102	11.18	111,413	13.39
Ninghuai Expressway Tianchang Section	16,172	1.94	—	—
Total	832,777	100.00	832,174	100.00

Operating costs

During the reporting period, the operating costs related to toll roads of the Group was RMB230,975,000, representing a decrease of 19.83%, which mainly due to decrease of road maintenance expenses and other business costs.

Unit: RMB'000

Project of Costs	Specific operating costs Unit		
	Depreciation and amortization	Road maintenance expenses	Other operation costs
First half of 2007	173,022	41,656	16,297
First half of 2006	167,458	68,690	51,960

Operating profit

Owing to the increase of toll income and decrease of operating costs, the operating profit of the Group during the reporting period increased 21.25% to RMB499,831,000. The gross profit margin of the Group during the reporting period was 72.26% (Corresponding period of 2006: 65.38%).

During the reporting period, revenue and gross profit margin of the Group are as follows:

Unit: RMB'000

Name of roads	Revenue	Operating costs	Gross profit margin (%)	Change in revenues (%)	Change in costs (%)	Change in gross profit margin (%)
Hening Expressway	322,123	68,649	78.69	-1.91	-29.07	8.16
New Tianchang Section of National Trunk 205	36,396	11,001	69.77	-33.94	-29.01	-2.10
Gaojie Expressway	221,722	59,672	73.09	14.04	-39.13	23.51
Xuanguang Expressway	143,262	36,184	74.74	0.29	10.62	-2.36
Lianhuo Expressway Anhui Section	93,102	43,718	53.04	-16.44	-3.02	-6.50
Ninghuai Expressway Tianchang Section	16,172	11,751	27.34	Not applicable	Not applicable	Not applicable
Total	832,777	230,975	72.26	0.07	-19.83	6.88

Administrative expenses

During the reporting period, the Group's administrative expenses were RMB49,369,000, representing a decrease of 38.02% compared with that of the corresponding period of last year, which was mainly due to strengthening management resulting in decrease of relevant expenses.

Finance costs

During the reporting period, the Group's finance costs were RMB26,400,000, representing a decrease of 5.26% compared with that of the corresponding period of last year, which mainly because the interest expenses regarding general bank loans used in widening of Hening Expressway were capitalized according to new PRC accounting standards.

Net profit

During the reporting period, the total profit of the Group was RMB499,941,000, net profit attributable to shareholders of the parent company was RMB308,006,000, representing an increase of 21.13% and a decrease of 4.64% respectively compared with that of the corresponding period of last year. During the reporting period, the basic earnings per was RMB0.1857. The main reason for the decrease in net profit was that the income taxation rate was adjusted from 15% to 33%, which resulted in substantial increase of income taxation to RMB73,382,000.

III Analysis of Financial Condition

Total assets

As at the end of the reporting period, the total assets of the Group was RMB7,006,942,000, representing a decrease of 3.32% compared with that at the end of last year, mainly because the goodwill of RMB442,790,000, which resulted from purchasing of minority interests of a subsidiary, was set-off against capital surplus-share premium in the Group's consolidated financial statements in accordance with the new PRC accounting standards.

Current liabilities

As at 30 June 2007, the Group's current liabilities was RMB2,063,495,000 (As at 31 December 2006: 1,767,639,000), of which RMB1,276,000,000 was short term borrowings, RMB321,969,000 was accounts payables, RMB24,838,000 was staff wages payables, RMB20,458,000 was tax payables, RMB217,117,000 was dividends payables RMB203,114,000 was other payables, (including RMB25,673,000 of toll income collected on behalf of the inter-network settlement center, RMB32,749,000 of deposit from engineering projects and RMB5,680,000 of pension funds and RMB38,704,000 was provision on road maintenance and central control maintenance expenses). Pursuant to the current working capital conditions, the facilities not yet utilized and future funding arrangements, the Group expects that it will have sufficient funds to repay the amounts due to as mentioned above.

Long-term liabilities

As at 30 June 2007, the Group's long term liabilities was RMB464,837,000 (As at 31 December 2006: RMB479,346,000), which represented the payables to Xuancheng Highway Management Company Limited for its total investments exceeding its share of registered capital of Xuanguang Company and the accrued enterprise safety fund provided with 1% of the toll income during period of 2004 to 2006.

Shareholders' equities (including minority interests)

As at 30 June 2007, the Group's shareholders' equities was RMB4,478,609,000, representing a decrease of RMB522,221,000 from that at the beginning of the year, which was mainly because that after the Company's adoption of new accounting standards, the unamortization remaining of goodwill has been set-off the capital surplus and the payment of previous year's dividends which resulted in decrease in unappropriated profit.

Cash flows of the Group

As at 30 June 2007, the Group's cash and cash equivalent were RMB447,770,000, representing a decrease of RMB60,302,000 compared with that as at 30 June 2006.

During the reporting period, the Group's net operating cash inflow was RMB517,835,000, representing an increase of RMB14,718,000 compared with that of the corresponding period last year, which was mainly due to the increase in toll income and decrease of maintenance costs.

During the reporting period, the Group's net cash outflow used in investment was RMB261,011,000, which was mainly used in Widening of Hening Expressway and building of new and hi-tech park.

During the reporting period, the Group's net cash outflow from financing activities was RMB209,507,000, which was mainly due to payment of last year's dividends.

During the reporting period, the Group's bank loans were RMB1,276,000,000 in aggregate. As at the end of the reporting period, the balance of bank loans was RMB1,276,000,000. Interests rate for the bank loans above were 5.265%.

Capital expenditures

During the reporting period, the Group's capital expenditure totaled RMB263 million, which was mainly composed of the Widening of Hening Expressway and building of new and hi-tech park, which was funded by operating cash flows and bank loans.

As at the end of the reporting period, outstanding capital commitments of the Group were as follows:

The widening of Hening Expressway with RMB1,554 million authorized but not contracted for or Contracted but not provided for;

Capital Structure

	As at 30 June 2007		As at 31 December 2006	
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)
Current liabilities	2,063,495	29.45	1,767,639	24.39
Long-term liabilities	464,837	6.63	479,346	6.61
Shareholders' equities	4,384,119	62.57	4,933,555	68.07
Minority interests	94,490	1.35	67,274	0.93

The structure of shareholders' equities and liabilities of the Group was reasonable. As at 30 June 2007, the Group held total cash and cash equivalent of RMB447,770,000 and bank loans of RMB1,276,000,000. The gearing ratio was 36.08% (31% on 31 December 2006). The Group's current ratio and quick ratio are 0.2301 and 0.2289 respectively.

IV Change of Taxation Policies

The Company received a notice from Anhui Provincial Office, the State Administration of Taxation that the Company should be subject to an income taxation rate of 33% (previously at 15%) from 1 January 2007. For the first half of 2007, the income taxation expenses of the Company increased by RMB73,382,000, the net profit decreased by RMB73,382,000 and the net assets decreased by RMB73,382,000.

V Impact from New PRC Accounting Standards

Starting from 1 January 2007, the Group has implemented the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance on 15 February 2006.

In preparing the 2007 interim financial statements, related comparative figures in 2006 had been adjusted retrospectively according to the requirements of "ASBE Number 38 – First Time Adoption of Accounting Standards for Business Enterprises". Certain reclassifications were also made to comply with the presentation requirement of ASBE. Retrospectively adjusted contents are mainly involving the recognition of deferred tax assets, as a result of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The shareholders' equity as at 1 January, 30 June, 31 December 2006 and the net income for 2006 and for the six months ended 30 June 2006, which presented according to the original PRC accounting standards and ASBE respectively, were disclosed in Note 11 in the notes to the financial statements.

VI Contingent Liabilities

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

SECTION VII MAJOR EVENTS

1. Corporate Governance

The Company had, since its establishment, gradually built and upgraded various internal management systems and corporate governance rules according to the relevant laws and regulations such as the "Company Law", "Securities Law", "Corporate governance standards of listed companies", "Guidelines for the prospectus of listed companies", and has regularized its operations.

Revision and Perfection of Corporate Governance System

In order to further upgrade its corporate governance structure, and combining with the actual situation of the Company, revision has been made to the Company's "Administration on the Company's Information Disclosure" and "Administration on the Company's Proceeds" in accordance with the requirements of the newly issued rules and regulations of the regulatory authorities, and has set up the Company's "Administration on the Company's Investors Relations". The above rules and regulations had been reviewed and approved at the 13th Meeting of the Fourth Board of Directors.

Corporate Governance Special Activities

During the reporting period, a serious self-inspection has been conducted on the regulated operations of the shareholders' general meetings Board of Directors, the Supervisory Committee, the establishment of internal control system and investor relations in accordance with the requirements of the document Zheng Jian Gong Si Zi No. (2007) 28 of CSRC "Notice regarding related activities on strengthening of governance activities of listed companies", and has formed a "Self-inspection Report on Corporate Governance and Reform Plan", and which was approved by the 14th Meeting of the Fourth Board of Directors. The Company will proactively finalize the reform plan, and continue to enhance its corporate governance levels.

Code on Corporate Governance Practice

For the six months ended 30 June 2007, 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").

Audit Committee

During the reporting period, the Audit Committee convened three meetings, which reviewed the 2006 Annual Results Report and Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards, the 2007 First Quarterly Report, as well as the 2007 Interim Results Report and Unaudited Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards.

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.

Mode Code for Securities Transactions for Directors and Supervisors of the Company

For the six months ended 30 June 2007, 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".

2. Profit appropriation for 2007 interim

The Board of Directors of the Company recommends that the Company will neither pay the dividends for six months as at 30 June 2007 nor transfer the capital surplus to share capital.

3. Implementation of the profit appropriation for the reporting period

2006 profit appropriation plan of the Company was approved by the 2006 Annual General Meeting held on 11 May 2007, details are as follows: To pay a final dividend of RMB414,652,500 on the basis of RMB2.5 for every 10 shares (tax inclusive) based on the total number of shares outstanding at the end of 2006 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 2006 General Meeting on 14 May 2007 in the Shanghai Securities Post, China Securities Post, Hong Kong Commercial Daily and The Standard in Hong Kong and determined a dividend of HK\$0.2538, which was priced in RMB and paid in HK\$. The registration date of the H Shareholders was 4 April 2007 and the dividend payout date was 30 May 2007. On 20 June 2007, the Company published the 2006 profit appropriation implement announcement in the Shanghai Securities Post and the China Securities Post and determined that the A Shareholders' registration date was 25 June 2007, the ex-dividend date was 26 June 2007 and the dividend payout date of 29 June 2007.

The 2006 profit appropriation 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

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. Commitments of the Company and shareholders with more than 5% equities

- (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 widening of four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006, as of 30 June 2007, RMB1,554,000,000 was authorized but not contracted for or contracted but not provided for.

- (3) Particular undertakings made by the shareholders of non-circulating shares of the Company during the Share Segregation Reform and their implementation.

Name of shareholders	Particular commitments	The implementation of their undertakings
Anhui Expressway Holding Corporation Huajian Transportation Economic Development Center	(1) 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; (2) Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares undertook to sell their shares, if they need to, 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; (3) 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; (4) Shareholders of Non-circulating Shares undertook 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; (5) 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, as always, and pay attention to protect shareholders' interests.	Implemented their undertakings carefully without breach.

9. Appointment and Dismissal of Auditors

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants were appointed as the Company's 2007 PRC and Hong Kong auditors at the 2006 Annual General Meeting.

10. Punishment and Reconstruction of the Listed Company, Directors, Supervisors, Senior Management, Shareholders and the Real Controller of the Company

During the reporting period, the Listed Company, Directors, Supervisors, Senior Management, Shareholders and the Real Controller of the Company have not been involved in any punishment of regulatory authorities.

11. Analysis on Other Major Events and Their Impact and Resolving Proposals

During the reporting period, the Company was not involved in other major events.

12. Other Major Events

Basic Medical Insurance

During the reporting period, the enterprises and institutions in Hefei are required to contribute the amount equal to 8% of the average wages of last year to its staff for medical insurance in accordance with No.82 Hefei People's Government Order issued in November 2000 by Hefei, Anhui, where the Company is located. The Company has started to contribute to 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.

Housing Fund

The Company does not own any staff quarters and does not plan to provide any staff quarters. During the reporting period, the Company contributed the amount equal to 20% to the basic wages index of its staff (approximately RMB2,953,000) to the Housing Fund in accordance with the society insurance scheme implemented by Anhui Provincial Government. There is no further obligation of the Group apart from contributions to the Housing Fund.

Pension Scheme

The Group has participated in the pension scheme organized by the government since 1997, pursuant to which a contribution shall be made based on 23% of the basic salary of the employees of the Company (as to which 20% contributed by the Company and the remaining of 3% contributed by the employees), a contribution shall be made based on 27% of the basic salary of the employees of Xuanguang Company (as to which 23% contributed by Xuanguang Company and the remaining of 4% contributed by the employees). This constituted the sole responsibility of the Group to the pension scheme. Such pension scheme shall undertake the responsibility to pay pension fund to the retired employees. For the year ended 31 December 2006, the Group contributed RMB4,343,000 to the scheme.

In addition to the above pension plans, the employees of the Group also entered into a supplementary pension scheme on a voluntary basis. The Group is required to make an annual contribution to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Group is also required to pay RMB230 every month to those employees, who have retired or will retire before 31 December 2015.

13. Information Disclosure Index

The following announcements were all published in the Shanghai Securities Post, China Securities Post, Hong Kong Commercial Daily and The Standard in Hong Kong.

Items	Newspapers designated for publishing reports	Publishing date	Website designated for disclosure of reports
Announcement of the Resolutions of the 10th Meeting of the 4th Board, Announcement of the Resolutions of the 8th Meeting of the 4th Supervisory Committee, Notice of 2006 Annual General Meeting and Summary of the 2006 Annual Report	China Securities Post, the Shanghai Securities Post	26 March 2007	Website of the Shanghai Stock Exchange: www.sse.com.cn
2006 Annual Results Announcement and the Notice of 2006 Annual General Meeting	Hong Kong Commercial Daily and The Standard in Hong Kong	26 March 2007	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Corrections of the Notice of 2006 Annual General Meeting	Hong Kong Commercial Daily and The Standard in Hong Kong	27 March 2007	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Listing announcement of restricted circulating shares	China Securities Post, the Shanghai Securities Post	29 March 2007	Website of the Shanghai Stock Exchange: www.sse.com.cn
Change of director and authorized representative	Hong Kong Commercial Daily and The Standard in Hong Kong	30 March 2007	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement of the Resolutions of the 11th Meeting of the 4th Board and 2007 First Quarterly Report	China Securities Post, the Shanghai Securities Post	30 April 2007	Website of the Shanghai Stock Exchange: www.sse.com.cn
2007 First Quarterly Report	Hong Kong Commercial Daily and The Standard in Hong Kong	30 April 2007	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
Announcement of Resolutions Passed at the 2006 Annual General Meeting	China Securities Post, the Shanghai Securities Post, Hong Kong Commercial Daily and The Standard in Hong Kong	14 May 2007	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
Announcement on Implementation of the Payment of Dividends for 2006	China Securities Post, the Shanghai Securities Post	20 June 2007	Website of the Shanghai Stock Exchange: www.sse.com.cn
Announcement of the Resolutions of the 13th Meeting of the 4th Board	China Securities Post, the Shanghai Securities Post	29 June 2007	Website of the Shanghai Stock Exchange: www.sse.com.cn

SECTION VIII ACCOUNTS

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007

(All amounts in Renminbi thousands unless otherwise stated)

		As at	
	Note	30 June 2007 (unaudited)	31 December 2006 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,880,570	6,688,818
Land use rights	5	569,573	575,267
Intangible assets	5	3,736	3,988
Interest in associates		6,558	6,455
Available-for-sale financial assets	6	18,000	18,000
		<u>7,478,437</u>	<u>7,292,528</u>
Current assets			
Inventories		2,653	2,873
Trade and other receivables	7	24,471	15,542
Cash and cash equivalents		447,770	400,453
		<u>474,894</u>	<u>418,868</u>
Total assets		<u><u>7,953,331</u></u>	<u><u>7,711,396</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	(42,402)	(41,689)
Retained earnings			
– Proposed final dividend	18	—	414,653
– Others		2,191,645	1,917,318
		<u>5,255,312</u>	<u>5,396,351</u>
Minority interest		<u>92,688</u>	<u>65,110</u>
Total equity		<u><u>5,348,000</u></u>	<u><u>5,461,461</u></u>

The notes on pages 43 to 54 are an integral part of these condensed financial information

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)*As at 30 June 2007*

(All amounts in Renminbi thousands unless otherwise stated)

		As at	
	Note	30 June 2007 (unaudited)	31 December 2006 (audited)
LIABILITIES			
Non-current liabilities			
Long-term payables to minority shareholder of a subsidiary	12	276,423	281,770
Deferred income tax liabilities		265,413	200,523
		541,836	482,293
Current liabilities			
Trade and other payables	10	781,392	497,322
Current income tax liabilities		6,103	9,320
Borrowings	11	1,276,000	1,261,000
		2,063,495	1,767,642
Total liabilities		2,605,331	2,249,935
Total equity and liabilities		7,953,331	7,711,396
Net current liabilities		(1,588,601)	(1,348,774)
Total assets less current liabilities		5,889,836	5,943,754

The notes on pages 43 to 54 are an integral part of these condensed financial information

Approved by the Board of Directors on 24 August 2007

Wang Shui
Director

Li Yungui
Director

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

(All amounts in Renminbi thousands unless otherwise stated)

	Note	For the six months ended	
		30 June 2007 (unaudited)	30 June 2006 (unaudited)
Revenues		805,571	805,992
Cost of sales	14	(195,195)	(248,536)
Gross profit		610,376	557,456
Other gains – net	13	2,252	3,178
Administrative expenses	14	(50,038)	(72,277)
Operating profit		562,590	488,357
Finance costs	15	(35,625)	(46,476)
Share of profit of associates		104	127
Profit before income tax		527,069	442,008
Income tax expense	16	(225,877)	11,968
Profit for the period		301,192	453,976
Attributable to:			
Equity holders of the Company		273,614	454,058
Minority interest		27,578	(82)
		301,192	453,976
Basic earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)	17	0.1650	0.2738
Dividends	18	—	—

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2007

(All amounts in Renminbi thousands unless otherwise stated)

	For the six months ended	
	30 June 2007 (unaudited)	30 June 2006 (unaudited)
Cash flows from operating activities		
Cash generated from operations	682,040	668,559
Interest paid	(26,971)	(29,172)
Income tax paid	(164,205)	(165,442)
Net cash generated from operating activities	490,864	473,945
Cash flows from investing activities		
Purchase of property, plant and equipment	(257,353)	(211,944)
Prepaid lease for land use rights	(5,800)	—
Acquisition of minority interest	—	(950,000)
Proceeds from sale of property, plant and equipment	—	35
Interest received	1,242	1,606
Dividends received	900	1,080
Net cash used in investing activities	(261,011)	(1,159,223)
Cash flows from financing activities		
Proceeds from borrowings	1,276,000	1,710,000
Repayments of borrowings	(1,261,000)	(960,000)
Dividends paid to the Company's shareholders	(197,536)	(137,614)
Net cash (used in)/generated from financing activities	(182,536)	612,386
Net increase/(decrease) in cash and cash equivalents	47,317	(72,892)
Cash and cash equivalents at beginning of the period	400,453	580,964
Cash and cash equivalents at end of the period	447,770	508,072

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to equity holders of the Company				Total
	Share capital and share premium (Note 8)	Other reserves (Note 9)	Retained earnings	Minority Interest	
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)	—	—	—	(147,000)	(147,000)
Excess of the consideration over the carrying amount of the minority interests acquired (unaudited)	—	(699,147)	—	—	(699,147)
Transfer (unaudited)	—	(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>
Balance at 1 January 2007					
(audited)	3,106,069	(41,689)	2,331,971	65,110	5,461,461
Profit for the half-year (unaudited)	—	—	273,614	27,578	301,192
Utilization of Enterprise Safety Fund (unaudited)	—	(713)	713	—	—
Dividends relating to 2006 (unaudited)	—	—	(414,653)	—	(414,653)
Balance at 30 June 2007 (unaudited)	<u>3,106,069</u>	<u>(42,402)</u>	<u>2,191,645</u>	<u>92,688</u>	<u>5,348,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2007

(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, West Changjiang Road, Hefei, Anhui, the PRC.

The condensed consolidated interim financial information was approved by the Board of Directors for issue on 24 August 2007.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with HKAS 34, "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory for periods ending on or after 30 June 2007:

- Hong Kong Financial Reporting Standards ("HKFRS") 7, Financial instruments: Disclosures, and the amendment to Hong Kong Accounting Standards ("HKAS") 1, Presentation of Financial Statements – Capital Disclosures, both effective for annual periods beginning on or after 1 January 2007. HKFRS 7 provides for new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The full disclosures as required by HKFRS 7 and the amendment to HKAS 1 will be disclosed in the annual financial statements for the year ending 31 December 2007.

3. Accounting policies (continued)

- Hong Kong International Financial Reporting Interpretation Committee (“HK(IFRIC)”)–Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group’s entities operates in a hyperinflationary economy, HK(IFRIC)-Int 7 is not relevant to the Group’s operations;
- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for accounting periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires the consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued as to whether they fall within the scope of HKFRS 2. HK(IFRIC)-Int 8 does not have significant impact on the Group’s accounts;
- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for accounting periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This interpretation does not have any significant impact on the reassessment of embedded derivatives as the Group has already assessed whether embedded derivative should be separated using the principles that are consistent with HK(IFRIC)-Int 9; and
- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the reversal of impairment losses recognised in an interim period in respect of goodwill, investments in equity instruments and investments in financial assets carried at cost, at a subsequent balance sheet date. HK(IFRIC)-Int 10 does not have significant impact on the Group’s accounts.

The following new standards, amendments to standards and interpretations have been issued as of 30 June 2007 but are not effective for period ended 30 June 2007 and have not been early adopted:

- HKFRS 8, “Operating Segments”, effective for accounting periods beginning on or after 1 January 2009. Management do not expect the standard to be relevant for the Group;
- HK(IFRIC)-Int 11, “HKFRS 2 – Group and Treasury Share Transactions”, effective for accounting periods beginning on or after 1 March 2007. Management do not expect the interpretation to be relevant for the Group; and
- HK (IFRIC)-Int 12, “Service Concession Arrangements”, effective for accounting periods beginning on or after 1 January 2008. This interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements. The Group will apply HK (IFRIC)-Int 12 from 1 January 2008. Management is currently assessing the impact of HK (IFRIC)-Int 12 on the Group’s accounts.

3. Accounting policies (continued)

- HKAS 23 (Revised), "Borrowing Cost", effective for accounting periods beginning on or after 1 January 2009. The revised HKAS 23 removes the option of immediately recognizing the borrowing costs as an expense, and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised HKAS 23 only applies to qualifying assets measured at cost and excludes inventories that are routinely manufactured, or otherwise produced in large quantities on a repetitive basis. The Group will apply the revised HKAS 23 from 1 January 2009. Management is currently assessing the impact of the revised HKAS 23 on the Group's accounts.

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, the PRC and its assets are mainly located in Anhui Province, the PRC. Accordingly, no geographical segment data is presented.

5. Capital Expenditures

	Intangible assets -software costs	Property, plant and equipment	Land use rights
Six months ended 30 June 2006			
Opening net book amount as at 1 January 2006	3,552	6,322,781	476,950
Additions	—	366,392	—
Disposals	—	(35)	—
Depreciation/amortization (Note 14)	(238)	(118,361)	(10,700)
	<u>3,314</u>	<u>6,570,777</u>	<u>466,250</u>
Closing net book amount as at 30 June 2006	<u>3,314</u>	<u>6,570,777</u>	<u>466,250</u>
Six months ended 30 June 2007			
Opening net book amount as at 1 January 2007	3,988	6,688,818	575,267
Additions	—	316,938	5,800
Disposals	—	(18)	—
Depreciation/amortization (Note 14)	(252)	(125,168)	(11,494)
	<u>3,736</u>	<u>6,880,570</u>	<u>569,573</u>
Closing net book amount as at 30 June 2007	<u>3,736</u>	<u>6,880,570</u>	<u>569,573</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 2007.

Available-for-sale financial assets include the following:

	30 June 2007 (unaudited)	31 December 2006 (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

	30 June 2007 (unaudited)	31 December 2006 (audited)
Prepayments	—	4,102
Other receivables	<u>24,471</u>	<u>11,440</u>
	<u>24,471</u>	<u>15,542</u>

At 30 June 2007, all the trade and other receivables were aged within one year.

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 2006 and 2007	1,658,610	1,658,610	1,447,459	3,106,069
Changes in the period	—	—	—	—
At 30 June 2006 and 2007	<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 RMB1 per share. All issued shares are fully paid.

Share reform plan

Pursuant to the Revised Share Reform Plan approved at the shareholders' meeting held on 27 February 2006, 165,861,000 non-tradable A shares held by Anhui Expressway Holding Company ("AEHC") and Huajian Transportation Economic Development Center were transferred to tradable A shares in this period.

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	Total
Balance at 1 January 2006	2,454	308,767	272,841	658	25,284	—	610,004
Acquisition of the minority interests of a subsidiary	—	—	—	—	—	(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)
Profit appropriations	—	86,413	—	—	8,247	—	94,660
Utilization of Enterprise Safety Fund	—	—	—	—	(423)	—	(423)
Other deductions	(211)	—	—	—	—	—	(211)
Balance at 31 December 2006	2,243	613,737	—	658	40,820	(699,147)	(41,689)
Utilization of Enterprise Safety Fund	—	—	—	—	(713)	—	(713)
Balance at 30 June 2007	2,243	613,737	—	658	40,107	(699,147)	(42,402)

(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) Gao Jie, a subsidiary of the Company, completed its de-registration process and merged all of its assets and liabilities into the Company on 16 May 2006. Accordingly, its Statutory Surplus Reserve Fund balance of approximately RMB54,284,000 was transferred to retained earnings of the Group.

10. Trade and other payables

	30 June 2007 (unaudited)	31 December 2006 (audited)
Payables on purchase of property, plant and equipment	321,969	267,893
Dividend payables	217,117	—
Payables on repair and maintenance projects	38,704	46,050
Salary and welfare payables	24,838	29,385
Long-term payables to minority shareholder of a subsidiary expected to be repaid within 12 months (Note 20)	20,000	6,000
Other taxation payables	14,355	33,337
Accrued expenses	6,966	5,704
Other payables	137,443	108,953
	<u>781,392</u>	<u>497,322</u>

At 30 June 2007, trade and other payables were aged within one year.

11. Borrowings

	As at 30 June 2007		As at 31 December 2006	
	Interest rate		<i>Interest rate</i>	
	per annum	RMB'000	<i>per annum</i>	<i>RMB'000</i>
	(unaudited)		<i>(audited)</i>	
Current unsecured short-term bank borrowings	<u>5.27%</u>	<u>1,276,000</u>	<u>5.02%</u>	<u>1,261,000</u>

At 30 June 2007, 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 2007 (unaudited)	31 December 2006 (audited)
Floating rate and expiring within one year	<u>1,334,000</u>	<u>1,299,000</u>

12. Long-term payables to minority shareholder of a subsidiary

The carrying amounts and fair values of long-term payables to minority shareholder of a subsidiary are as follows:

	Carrying Amounts (Note 20)		Fair values	
	30 June 2007 RMB'000	31 December 2006 RMB'000	30 June 2007 RMB'000	31 December 2006 RMB'000
Xuancheng Highway Management Company ("XHMC")	<u>276,423</u>	<u>281,770</u>	<u>275,180</u>	<u>272,204</u>

Long-term payables to the minority shareholder of Xuan Guang Expressway Company Limited ("Xuan Guang") represented XHMC's share of total investment in excess of its equity contribution in Xuan Guang. The long-term payables to minority shareholder of a subsidiary are unsecured and free of interest.

The fair values of long-term payables to minority shareholder are based on cash flows discounted using 7.20%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 30 June 2007 (1 January 2007: 6.84%).

13. Other gains – net

	For the six months ended	
	30 June 2007 (unaudited)	30 June 2006 (unaudited)
Dividend income	900	1,080
Interest income	1,242	1,605
Others	110	493
	<u>2,252</u>	<u>3,178</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 2007 (unaudited)	30 June 2006 (unaudited)
Depreciation and amortization expenses (Note 5)	136,914	129,299
Repair and maintenance expenses	58,283	108,173
Employee benefit expenses	24,401	44,640
Others	25,635	38,701
	<u>245,233</u>	<u>320,813</u>

15. Finance costs

	For the six months ended	
	30 June 2007 <i>(unaudited)</i>	30 June 2006 <i>(unaudited)</i>
Interest expense:		
– bank borrowings	26,971	28,937
– long-term payables to minority shareholder of a subsidiary	8,654	17,539
	<u>35,625</u>	<u>46,476</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 was registered in the Hefei High Technology Industry Development Zone and certified as a high-tech company. Pursuant to the relevant regulations on preferential policies on EIT issued by the Ministry of Finance and the State Taxation Bureau, the Company is able to apply for a beneficial EIT rate of 15%. The tax authority did not approve the Company's application for the above beneficial EIT rate in current period. Hence, the applicable EIT rate of the Company in 2007 is 33% (2006: 15%).

The applicable EIT rate for other subsidiaries and associated companies of the Company are 33%.

On 16 March 2007, the National People's Congress passed the China Corporate Income Tax Law. This new law will be effective from 1 January 2008. Thereafter, the applicable EIT rate of the Company and the subsidiaries and associated companies of the Company are to be adjusted from 33% to 25%.

	For the six months ended	
	30 June 2007 <i>(unaudited)</i>	30 June 2006 <i>(unaudited)</i>
Current income tax	160,988	89,820
Deferred income tax	64,889	(101,788)
	<u>225,877</u>	<u>(11,968)</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 2007 <i>(unaudited)</i>	30 June 2006 <i>(unaudited)</i>
Profit attributable to equity holders of the Company	273,614	454,058
Weighted average number of ordinary shares in issue (thousands)	1,658,610	1,658,610
	<hr/>	<hr/>
Basic earnings per share (expressed in RMB per share)	0.1650	0.2738
	<hr/> <hr/>	<hr/> <hr/>

18. Dividends

At a meeting held on 23 March 2007, the directors proposed a final dividend of RMB0.25 per ordinary share for the year ended 31 December 2006. The proposed final dividend of RMB414,652,500 was approved by the Annual General Meeting on 11 May 2007 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2007.

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2007 (2006: none).

19. Capital commitments

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

	30 June	31 December
	2007 <i>(unaudited)</i>	2006 <i>(audited)</i>
Property, plant and equipment		
– Approved but not contracted for	984,000	1,000,000
Property, plant and equipment		
– Contracted but not provided for	570,000	830,000
	<hr/>	<hr/>
	1,554,000	1,830,000
	<hr/> <hr/>	<hr/> <hr/>

20. 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 Group
AEHC	Parent company
XHMC	Minority shareholder of Xuan Guang
Anlian Expressway Co., Ltd. ("ALEC")	Subsidiary of AEHC
Beijing Anlian Real Estate Development Co.,Ltd ("BARD", originally named as Beijing Anlian Investment Co., Ltd.)	Subsidiary of AEHC

(b) Related party transactions

Transactions with the State-owned Enterprises

	For the six months ended	
	30 June 2007 (unaudited)	30 June 2006 (unaudited)
Borrowings from banks	1,276,000	1,100,000
Toll road repair and maintenance cost paid and payable	4,084	5,546
Toll road construction / improvement cost paid and payable	109,795	194,867
	<u>1,389,879</u>	<u>1,300,413</u>

Except for transactions with the state-owned enterprises as disclosed above, there were no significant transactions with related parties for the six months period ended 30 June 2007.

20. Related-party transactions

 (c) *Period-end balances*

 (i) *Payables to related parties*

	30 June 2007 (unaudited)	31 December 2006 (audited)
XHMC (Note 10)	20,000	6,000
AEHC	—	1,135
BARD	—	6,659
Other state-owned Enterprises	148,829	123,958
	168,829	137,752

 (ii) *Borrowings*

	30 June 2007 (unaudited)	31 December 2006 (audited)
State-owned banks	1,276,000	1,261,000

 (iii) *Long-term payables to minority shareholder of a subsidiary (Note 12)*

	30 June 2007 (unaudited)	31 December 2006 (audited)
XHMC	276,423	281,770

As at 30 June 2007, amounts due from and due to the related parties, except for long-term payables to minority shareholder of a subsidiary as disclosed in Note 10 and 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.

21. Approval on the condensed consolidated interim financial information

The condensed consolidated interim financial information was reviewed by the audit committee of the Company and approved by the Board of Directors on 23 August 2007 and 24 August 2007 respectively.

SECTION IX DOCUMENTS AVAILABLE FOR INSPECTION

1. The Interim Report signed by the Chairman;
2. The accounts, signed by the legal representative, the officer in charge of accounting works and the chief financial officer, and stamped with corporate seal;
3. The original copies of corporate documents and announcements published in the Shanghai Securities Post, China Securities Post, Hong Kong Commercial Daily and The Standard in Hong Kong.
4. The Memorandum and Articles of Association;
5. The Interim Report disclosed in other securities market;
6. Other relevant materials By Order of the Board.

Wang Shui

Chairman


24 August 2007

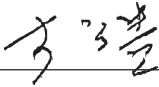
SECTION X CONFIRMATION OPINION OF THE INTERIM REPORT

Confirmation Opinion to 2007 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 2007 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.

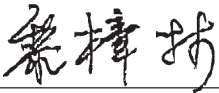
Directors' Signature:

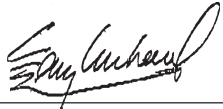
Wang Shui: _____ 

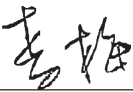
Li Yungui: _____ 

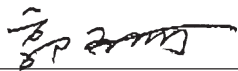
Tu Xiaobei: _____ 

Zhang Wensheng: _____ 

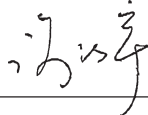
Li Zhanglin: _____ 


Leung Man Kit: _____ 

Li Mei: _____ 

Guo Shan: _____ 

Senior Management Members' Signatures:

Xie Xinyu: _____ 

Wang Changyin: _____ 



Anhui Expressway Company Limited
安徽皖通高速公路股份有限公司