



# Anhui Expressway Company Limited

(A joint stock company incorporated with limited liability)

(Stock Code : 0995)

Annual 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.

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 statement contained in this Annual Report is true and complete. The Audit Committee of the Company reviewed the financial accounts.

## I . General Information

Official name of the Company (in Chinese)	: 安徽皖通高速公路股份有限公司
(in English)	: Anhui Expressway Company Limited
Abbreviation (in Chinese)	: 皖通高速
(in English)	: Anhui Expressway
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	: 669 Changjiang West Road, Hefei, Anhui, the PRC
Postal code	: 230088
Business 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	: <a href="http://www.anhui-expressway.cn">http://www.anhui-expressway.cn</a>
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 annual report	: <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.anhui-expressway.cn">http://www.anhui-expressway.cn</a>
Addresses designated for keeping annual 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

## Corporate Profile

Stock Exchange on which the Company's shares are listed	: A Shares	: Shanghai Stock Exchange
	Stock code	: 600012
	Short names	: Wantong Expressway
	H Shares	: The Stock Exchange of Hong Kong Limited
	Stock code	: 0995
	Short names	: Anhui Expressway
Date and Place of initial registration of the Company	: 15 August 1996	219 An'qing Road, Hefei, Anhui, the PRC
Date and Place of latest change in registration	: 28 July 2006	669 Changjiang West Road, Hefei, Anhui, the PRC
Registration number of enterprise legal person business license	: Qi Gu Wan Zong Fu Zi No. 002077	
Tax registration number	: Di Shui Zhi Zi No. 340103148973087	Guo Shui He Guo Si Zi No. 340104148973087
Organizational institution code	: 14897908-7	
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 Law Office	19th Floor, Wangcheng Mansion, 248 Changjiang West Road, 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:

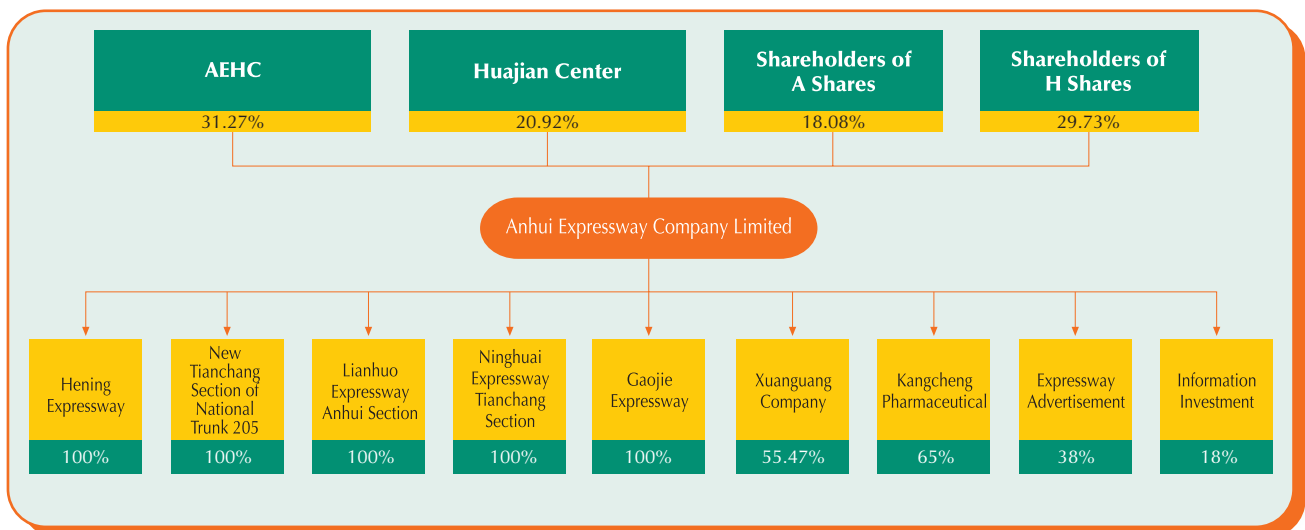
Anhui Expressway Company Limited (the “Company”) was reorganized and incorporated on 15 August 1996 as a joint stock limited company in Anhui Province, the People’s Republic of China (the “PRC”), At present, the Company’s registered capital was RMB1,658,610,000.

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 13 November 1996, H Shares issued by the Company were listed on The Stock Exchange of Hong Kong Limited (Stock code: 0995). On 7 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. As of 31 December 2007, the Company held the total mileage of 426km with a total assets of RMB7,387,902 thousands.

As of 31 December 2007, the structure of the Company, subsidiaries and associated companies (the “Group”):





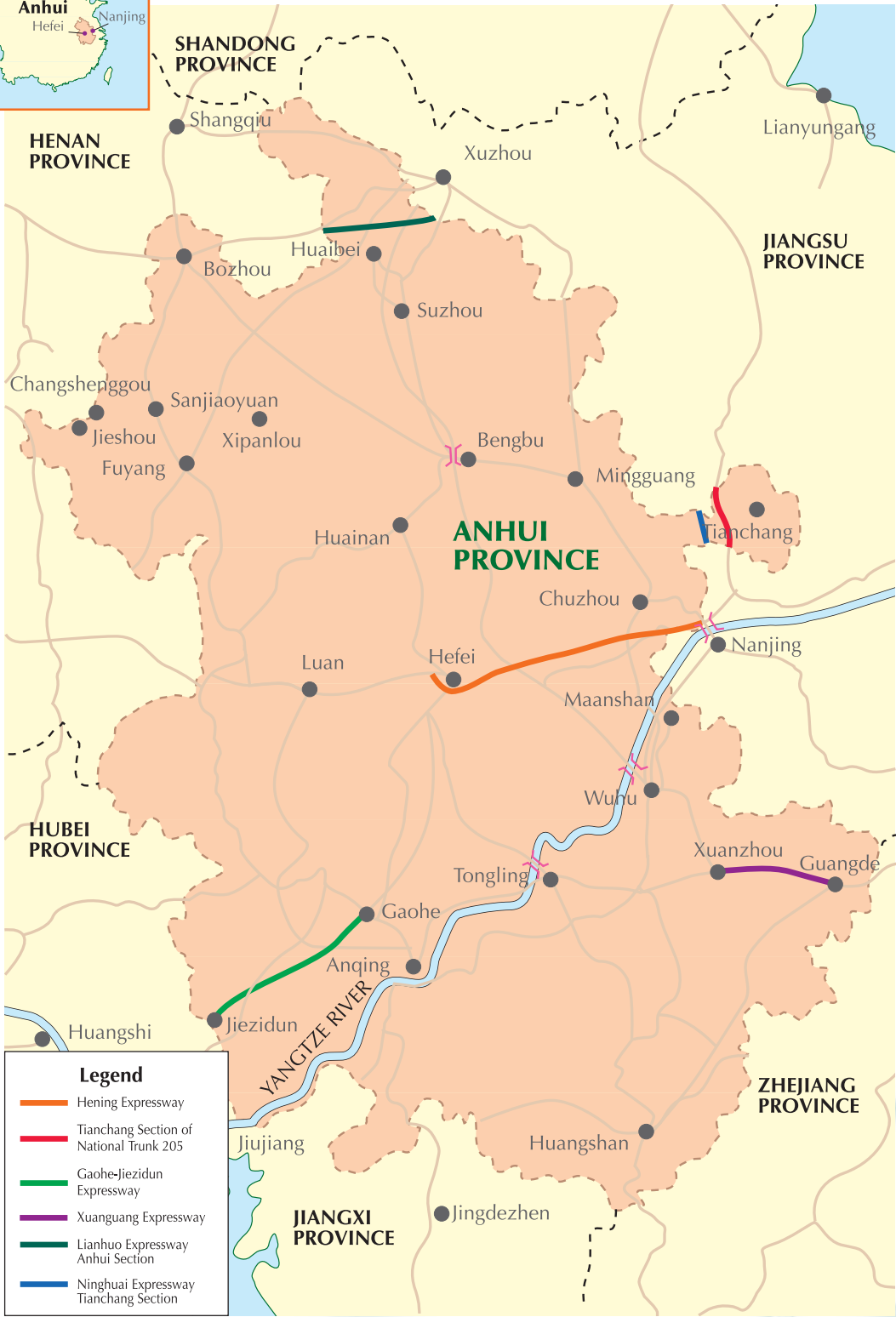
## Corporate Profile

### 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 Expressway Advertisement Company Limited
“Information Investment”	Means	Hefei Information Investment Company Limited
“Xuancheng Highway Management”	Means	Xuancheng Highway Construction and Management Company Limited
“Anlian Company”	Means	Anhui Anlian Expressway Company Limited
“Expressway Real Estate”	Means	Anhui Expressway Real Estate Company Limited
“Expressway Investment”	Means	Anhui Expressway Investment Company Limited



Highway Projects Map of Anhui Expressway Company Limited





## Accounting Data and Business Highlights

The 2007 financial statements of the Group were audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Company Limited and PricewaterhouseCoopers Certified Public Accountants respectively who issued unqualified audit opinions on these financial statements.

### I. PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE PRC (the “PRC Accounting Standards”)

#### 1. Key accounting data of the Group (Unit: RMB'000)

##### (1) Key financial indicators during the reporting period.

Indicators	Amount
Operating profit	1,108,006
Total profit	1,098,614
Net profit attributable to shareholders of listed company	517,448
Net profit after extraordinary items attributable to shareholders of listed company	618,410
Net cash flows from operating activities	1,165,648

##### (2) Key accounting data and financial indicators of the Group for the past three years up to the end of the reporting period:

Key accounting data	2007	2006		Change of the reporting period compared with that of last year (%)	2005
		After adjustment in accordance with CAS	Before adjustment in accordance with CAS		
Operating income	1,688,879	1,654,873	1,617,898	2.05	1,538,017
Total profit	1,098,614	963,641	968,980	14.01	860,226
Net profit attributable to shareholders of listed company	517,448	815,428	749,302	-36.54	659,248
Net profit after extraordinary items attributable to shareholders of listed company	618,410	814,545	748,419	-24.08	675,407
Basic earnings per share (RMB)	0.312	0.492	0.452	-36.59	0.397
Diluted earnings per share (RMB)	0.312	0.492	0.452	-36.59	0.397
Basic earnings per share after extraordinary items (RMB)	0.373	0.491	0.451	-24.03	0.407
Returns on net assets (fully diluted) (%)	11.19	18.03	15.23	-37.94	14.22
Returns on net assets (weighted average) (%)	11.27	16.16	15.68	-30.26	15.07
Returns on net assets after extraordinary items (fully diluted) (%)	13.37	18.01	15.21	-25.76	14.57
Returns on net assets after extraordinary items (weighted average) (%)	13.47	16.14	15.66	-16.54	15.44
Net case flows from operating activities	1,165,648	1,088,885	1,088,885	7.05	1,004,517
Net case flows from operating activities per share(RMB)	0.70	0.66	0.66	6.06	0.61

## Accounting Data and Business Highlights

	At the end of 2006			Change at the end of the reporting period compared with that at the end of last year	At the end of 2005
	At the end of 2007	After adjustment in accordance with CAS	Before adjustment in accordance with CAS		
Total assets	7,387,902	6,805,026	7,232,967	8.57	6,970,438
Holders' equities (or shareholders' equities)	4,625,384	4,522,589	4,920,872	2.27	4,636,192
Net asset per share attributable to shareholders of listed company (RMB)	<u>2.79</u>	<u>2.73</u>	<u>2.97</u>	<u>2.20</u>	<u>2.80</u>

### (3) Extraordinary items deducted and amounts involved: (Unit: RMB'000)

Non-operating expenses -disposals of fixed assets	15,008
Non-operating income excluding disposals of fixed assets	-6,196
Non-operating expenses excluding disposals of fixed assets	579
The difference between carrying amount of the original and new financial liability	-82,003
Impact of income tax on the above extraordinary items	24,024
Payment of 2006 income tax resulted from the tax rate adjustment	<u>149,550</u>
Total	<u>100,962</u>

### II. PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG (the “Hong Kong Accounting Standards”)

#### Summary of results

For the year ended 31 December 2007

	Unit: RMB'000				
	2007	2006	2005	2004	2003
Turnover	<b>1,634,188</b>	1,604,891	1,494,704	1,200,868	874,192
Operating profit before taxation	<b>1,188,053</b>	1,035,043	890,006	619,267	441,666
Equity holders of the Company	<b>470,955</b>	931,424	686,103	479,800	343,521
Basic earnings per share (RMB)	<b>0.2839</b>	0.5616	0.4137	0.2893	0.2071

#### Summary of Assets

As at 31 December 2007

	Unit: RMB'000				
	2007	2006	2005	2004	2003
Total assets	<b>8,367,647</b>	7,711,396	7,836,196	7,358,964	6,929,945
Total liabilities	<b>2,730,305</b>	2,249,935	2,007,425	2,361,445	2,305,237
Total equity (excluding minority interests)	<b>5,418,708</b>	5,396,351	5,628,696	4,796,389	4,416,106
Equity per share (RMB) (excluding minority interests) (RMB)	<b>3.2670</b>	3.2535	3.3936	2.8918	2.6625

### III. MAJOR DIFFERENCE BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH DIFFERENT ACCOUNTING STANDARDS

#### Reconciliation between PRC and HKGAAP Accounts

	2007 RMB'000		2006 (Restated) RMB'000	
	Owners' Equity	Net profit	Owners' Equity	Net profit
Amount presented in accordance with the Chinese Accounting Standards ("CAS")	4,625,384	517,448	4,522,589	815,428
Reconciliation to HKFRS				
1. Valuation of assets and depreciation toll roads (a)	981,638	90,818	890,817	57,266
2. Valuation and amortization of toll roads related land use rights (a)	25,628	(1,379)	27,007	(1,400)
3. Accounting for Enterprise Safety Fund (b)	38,741	—	40,820	15,536
4. Deferred Taxes (c)	(252,683)	(58,292)	(162,522)	14,851
5. Minority interest retrospective adjustment (d)	—	(77,640)	77,640	29,743
	<u>5,418,708</u>	<u>470,955</u>	<u>5,396,351</u>	<u>931,424</u>
Amount presented in accordance with HKFRS (Audited by PricewaterhouseCoopers)				

#### Reconciliation items

- (a) In order to issue "H" share in Hong Kong, the toll roads and related land use rights were valued by a PRC certified public valuer and an international certified public valuer on 30th April and 15th August 1996 respectively. The fair value valuated by the international certified public valuer is higher than the PRC certified public valuer's result by RMB319,000,000, which was included in the financial statements prepared in accordance with HKFRS. In addition, the depreciation of toll roads under HKFRS is provided based on the share of traffic volume for a particular period over the projected total traffic volume, which is different from the straight-line method adopted by CAS. These differences lead to the reconciliation items presented above.



## Accounting Data and Business Highlights

- (b) According to the regulations of the PRC, the Group is required to accrue 1% of its toll income as Enterprise Safety Fund from 1st January 2004. The fund can only be used for improvements of the safety of its toll roads. The safety fund was initially recorded in long-term payable account and subsequently reversed when utilized. From 1st January 2007, the accrued balance exceeds 2% of total toll income of 2006, so no safety fund was accrued in 2007 according to related regulations issued by Ministry of Finance. Under HKFRS, the safety expenses are charged to income statement when they occurred. These differences lead to the reconciliation items presented above.
- (c) As mentioned in note (a), deferred tax assets and deferred tax liabilities are recognised for the temporary differences arising from the difference between the carrying amount of toll roads, land use rights and their tax base, which mainly due to the valuation and depreciation difference of these assets. These differences lead to the reconciliation items presented above.
- (d) On 1 January 2007, the first-time adoption date of CAS, the Group made retrospective adjustments in accordance with the requirements relating to the first-time adoption of CAS stipulated in “Accounting Standard for Business Enterprises No. 38 – First-time Adoption of Accounting Standards for Business” and “Interpretation No. 1 of Accounting Standards for Business Enterprises”. The minority interest balance and minority interest in income statement were retrospectively adjusted and restated accordingly to reflect these adjustments in accordance with CAS while the financial statements prepared in accordance with HKFRS of 2006 were not retrospectively adjusted. Consequently, the retrospective adjustments were reflected in income statement under HKFRS in 2007 in order to keep consistency with minority interest under CAS. The difference leads to the reconciliation items presented above.

## Change of Share Capital and Shareholders

### I. CHANGES OF SHARE CAPITAL

#### (I) Change of Share Capital

(Unit: thousand shares)

	Before changes		Allotment	Increases (+) or Decreases (-)			After changes		
	Number of shares	Percentage (%)		Bonus	Transfer from reserves	Restricted circulating shares	Sub-total	Number of shares	Percentage (%)
<b>I. Restricted shares</b>									
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 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>
<b>II. Unrestricted circulating shares</b>									
1. Renminbi-denominated ordinary shares	300,000	18.08				+165,861	+165,861	465,861	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>793,010</u>	<u>47.81</u>				<u>+165,861</u>	<u>+165,861</u>	<u>958,871</u>	<u>57.81</u>
<b>III Total shares</b>	<u>1,658,610</u>	<u>100.00</u>				<u>0</u>	<u>0</u>	<u>1,658,610</u>	<u>100.00</u>

## Change of Share Capital and Shareholders

### (II) Change of Restricted Shares

Unit: thousand shares

Name of shareholders	Restricted shares at the beginning of the year	Shares free from the restricted shares in this year	Added restricted shares in this year	Restricted shares at the end of the year	Reason for restriction	Trading date of restricted shares
Anhui Expressway Holding Corporation	518,581	82,930.5		435,650.5	Undertakings of Share Segregation Reform	3 April 2007
Huajian Transportation Economic Development Center	347,019	82,930.5		264,088.5	Undertakings of Share Segregation Reform	3 April 2007
Total	<u>865,600</u>	<u>165,861</u>		<u>699,739</u>	—	—

### (III) Issue of share and Listing

#### 1. Issue of shares for the last three years

For three years as at the end of the reporting period, the Company did not issue new shares.

#### 2. The total number of shares and the change of share structure

During the reporting period, total number of shares of the Company did not change. The share structure of the Company changed as follows due to the circulating of restricted shares: restricted shares of 669,739,000, as a percentage of 42.19% to the total share capital; unrestricted shares of 958,871,000, as a percentage of 57.81% to the total share capital.

#### 3. Employees shares

The Company did not issue employees shares

### (IV) 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 resold any listed shares of the Company.

### (V) 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

### 1. Number of shareholders as at the end of the reporting period.

As of 31 December 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** The total number of shareholders of the Company was 83,071, out of which there were one state-owned shareholder, one state-owned legal person shareholder, 83,011 A shareholders and 58 H shareholders.

#### The ten largest shareholders of the Company

Name of Shareholders	Nature of shareholders	Percentage	Total holding shares	Change	Number of restricted shares	Shares pledged or locked-up
Anhui Expressway Holding Corporation	State-owned shareholders	31.27%	518,581,000	0	435,650,500	No
HKSCC NOMINEES LIMITED (agent)	Overseas shareholders	29.36%	487,007,898	+752,000	—	Not clear
Huajian Transportation Economic Development Center	State-owned shareholders	20.92%	347,019,000	0	264,088,500	No
Boshi Price Growth Securities Investment Fund	Others	0.60%	9,999,912	+4,499,912	—	Not clear
Agriculture Bank of China-Franklin Guohai Elastic Market Value Stock Securities Investment Fund	Others	0.58%	9,644,457	+1,176,052	—	Not clear
National Social Insurance Fund-108 Composition	Others	0.57%	9,500,000	-10,800,000	—	Not clear
Agriculture Bank of China-Huaxia Smooth growth mixed Securities Investment Fund	Others	0.37%	6,205,196	Newly added	—	Not clear
National Social Insurance Fund-102 Composition	Others	0.36%	6,000,000	-4,000,000	—	Not clear
Shenyinwanguo-Agriculture Bank of China-BNP PARIBAS	Others	0.31%	5,193,980	Newly added	—	Not clear
National Social Insurance Fund-106 Composition	Others	0.30%	4,999,895	Newly added	—	Not clear



## Change of Share Capital and Shareholders

### The ten largest shareholders of unrestricted circulating shares of the Company

Name of shareholders	The Number of unrestricted circulating shares	Type of shares
HKSCC NOMINEES LIMITED (agent)	487,007,898	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
Boshi Price Growth Securities Investment Fund	9,999,912	Renminbi-denominated ordinary shares
Agriculture Bank of China-Franklin Guohai Elastic Market Value Stock Securities Investment Fund	9,644,457	Renminbi-denominated ordinary shares
National Social Insurance Fund-108 Composition	9,500,000	Renminbi-denominated ordinary shares
Agriculture Bank of China-Huaxia Smooth growth mixed Securities Investment Fund	6,205,196	Renminbi-denominated ordinary shares
National Social Insurance Fund-102 Composition	6,000,000	Renminbi-denominated ordinary shares
Shenyinwanguo-Agriculture Bank of China-BNP PARIBAS	5,193,980	Renminbi-denominated ordinary shares
National Social Insurance Fund-106 Composition	4,999,895	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 ascertain, nor be known whether they belong to the consistent action stipulate in "Provisions on Information disclosure Management of Shareholders' Shareholding changes of Listed Companies.

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

## 2. Shares held by restricted shareholders and restricted condition

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

Note: Holders of Non-circulating Shares committed that 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).

## Change of Share Capital and Shareholders

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

As at 31 December 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, 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)	Change during the reporting period	Type of shares	As a % of total share capital	Pledged or locked-up
Anhui Expressway Holding Corporation	518,581,000(L)	—	State-owned shares	31.27%	No
Huajian Transportation Economic Development Center	347,019,000(L)	—	State-owned legal person shares	20.92%	No

Names	At end of period (shares)	Change	Type of shares	As a % of total H Shares	Pledged or locked-up
Commonwealth Bank of Australia	64,954,000(L)	-18,902,000	H Shares	13.17%	Not known
JPMorgan Chase & Co.	54,399,857(L) 54,399,857 (Shares attributable to lend)	Not clear +18,228,857	H Shares	11.03% 11.03%	Not known
T. Rowe Price Associates, Inc. And Its Affiliates	35,372,000(L)	Not clear	H Shares	7.18%	Not known
Colonial First State Group Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
Colonial Holding Company (No.2) Pty Limited	33,358,000(L)	Not clear	H Shares	6.77%	Not known
Colonial Holding Company Pty Ltd.	33,358,000(L)	Not clear	H Shares	6.77%	Not known
Colonial Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
First State Investment Managers (Asia) Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
First State Investments (Bermuda) Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known

## Change of Share Capital and Shareholders

Names	At end of period (shares)	Change	Type of shares	As a % of total H Shares	Pledged or locked-up
The Colonial Mutual Life Assurance Society Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
First State (Hong Kong) LLC	32,166,000(L)	Not clear	H Shares	6.52%	Not known
First State Investments (Hong Kong) Limited	30,712,000(L)	Not clear	H Shares	6.23%	Not known
First State Investments (Singapore)	30,608,000(L)	Not clear	H Shares	6.21%	Not known
First State Investments Holdings (Singapore) Limited	30,608,000(L)	Not clear	H Shares	6.21%	Not known
Long Term Investment Fund Sicav	24,768,000(L)	Not clear	H Shares	5.02%	Not known

L = long Position

P = Lending Pool

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, 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 31 December 2007.

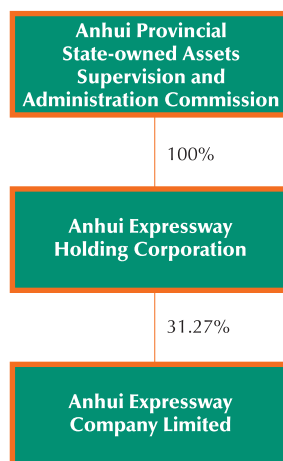
#### 4. The controlling shareholder of the Company

During the reporting period, the controlling shareholder of the Company was unchanged and its basic information is as follows:

Name:	Anhui Expressway Holding Corporation ("AEHC")
Legal representative:	Wang Shui
Date of establishment:	27 April 1993
Registered capital:	RMB4,525,819,000
Nature of company:	State-owned enterprise
Business scope:	Planning, design, supervision, technical consultation and ancillary service of highway construction, Real Estate investment and motor vehicles fittings and storage.

### 5. Information of the real controller of the controlling shareholder of the Company

The controlling shareholder of the Company – Anhui Expressway Holding Corporation is a state-owned enterprise and is under the control of Anhui provincial State-owned Assets Supervision and Administration Commission.



### 6. Other legal person shareholders who hold more than 10% of the share capital as at of the reporting period

Name:	Huajian Transportation Economic Development Center ("Huajian Center")
Legal representative:	Fu Yuning
Date of establishment:	18 December 1993
Registered capital:	RMB500,000,000
Nature of company:	Collectively-owned enterprise
Business scope:	Huajian Center is principally engaged in the comprehensive development and contracting construction of roads, wharves, harbors and sea-lanes; development, research and production of new technologies, new products and new materials for transportation infrastructure facilities and sales of products; sales of building materials, mechanical and electrical equipment, automobiles (except cars) and fittings, hardware and daily necessities; economic information consultation and personnel training.

## Directors, Supervisors, Senior Management and Staff

### I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### 1. Basic information of existing directors, supervisors and senior management

Name	Sex	Age	Position	Terms of office	Rewards drawn from the Company of the year (RMB'000)
Wang Shui	M	59	Chairman	August 2005-August 2008	650
Li Yungui	M	56	Director, General Manager	August 2005-August 2008	390
Tu Xiaobei	M	54	Deputy Chairman	August 2005-August 2008	390
Zhang Wensheng	M	61	Non-executive Director	August 2005-August 2008	60
Li Zhanglin	M	42	Non-executive Director	August 2005-August 2008	60
Leung Man Kit	M	55	Independent Director	August 2005-August 2008	100
Guo Shan	F	42	Independent Director	August 2005-August 2008	60
Li Mei	F	44	Independent Director	August 2005-August 2008	60
Li Huaijie	M	60	Chairman of Supervisory Committee	October 2006-August 2008	360
Yang Yicong	M	52	Supervisor	August 2005-August 2008	390
He Kun	F	31	Supervisor	August 2005-August 2008	40
Xie Xinyu	M	41	Deputy General Manager, Company Secretary	August 2005-August 2008	230
Wang Changyin	M	45	Deputy General Manager	August 2005-August 2008	230
Liang Bing	F	41	Manager of Financial Department	December 2002 to now	161

The above persons did not hold shares of the Company at the beginning of, at the end of and during the reporting period.

### 2. Positions held by Directors, Supervisors and Senior Management in AEHC and Huajian Center in 2007

Name	Post in AEHC and Huajian Center	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Wang Shui	AEHC	General Manager	From July 1998 up to now	No
Li Yungui	AEHC	Deputy General Manager	From August 2006 up to now	No
Tu Xiaobei	AEHC	Deputy General Manager	From July 1998 up to now	No
Zhang Wensheng	Huajian Center	Deputy General Manager	From October 1998 up to now	Yes
Li Zhanglin	Huajian Center	Deputy Manager of Securities Management Department	From February 2005 up to now	Yes
Li Huaijie	AEHC	Deputy Secretary of the Party Committee	From August 2006 up to now	No
He Kun	Huajian Center	Project Manager of Planning and Financial Department	From May 2000 up to now	Yes

### 3. Positions held by Directors, Supervisors and Senior Management in Other Companies in 2007

Name	Other companies in which they hold office	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Tu Xiaobei	Xuanguang Expressway Company Limited	Chairman	From July 1998 up to now	No
	Anhui Liuqian Expressway Company Limited	Chairman	From March 2004 up to now	No
	Anhui Guangci Expressway Company Limited	Chairman	From February 2005 up to now	No
	Anhui Provincial Angao Investment Company Limited	Chairman	From February 2004 up to now	No
	Shanghai Angao Real Estate Company Limited	Chairman	From July 2002 up to now	No

## Directors, Supervisors, Senior Management and Staff

Name	Other companies in which they hold office	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Zhang Wensheng	North-east Expressway Company Limited	Deputy Chairman	From July 1999 up to now	Yes
	Sichuan Expressway Company Limited	Deputy Chairman	From May 2001 up to now	Yes
	Guangxi Wuzhou Transporttation Company Limited	Deputy Chairman	From May 2002 up to now	Yes
	Jiangsu Expressway Company Limited	Director	From May 2003 up to now	Yes
Li Zhanglin	North-east Expressway Company Limited	Supervisor	From May 2005 up to now	Yes
Leung Man Kit	Huading Group Holding Company Limited	Independent Non-executive Director	From November 2005 up to now	Yes
	Netease.Com Inc	Independent Non-executive Director	From July 2002 up to now	Yes
	Junefield Department Store Group Limited	Independent Non-executive Director	From December 2002 up to now	Yes
	Golden Harvest Entertainment (Holdings) Limited	Independent Non-executive Director	From January 2008 up to now	Yes
Li Mei	Jiahe Life Insurance Company Limited	General Manager of Financial Department	From February 2006 up to now	Yes
Guo Shan	Beijing S & P Law Firm	Partner, Deputy Director	From June 1998 up to now	Yes
He Kun	Sichuan Expressway Company Limited	Supervisor	From May 2001 up to now	No
	Jiangsu Ningjingyan Expressway Company Limited	Supervisor	From April 2005 up to now	No
Xie Xinyu	Hefei Information Investment Company Limited	Director	From March 2007 up to now	No

Name	Other companies in which they hold office	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Liang Bing	Xuanguang Expressway Company Limited	Chief Finance Officer	From July 1998 up to now	No
	Anhui Kangcheng Pharmaceutical Company Limited	Chief Finance Officer	From September 2002 up to now	No

## II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

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 in March 2007. 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.

## III. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- The emoluments of the directors and supervisors were considered and approved by the General Meeting of the Company. The emoluments of Directors and supervisors were paid according to their respective emolument contracts signed with the Company. The emoluments of the senior managements were considered and approved by the Board of the Company. Senior management were paid according to their respective emolument contracts signed with the Company.
- During the year, all of the five highest paid individuals of the Company were directors and supervisors of the Company.

## IV. SENIOR MANAGEMENT'S PERFORMANCE APPRAISAL AND INCENTIVE

The Human Resources and Remuneration Committee of the board of the company is responsible for the performance appraisal of senior management and for formulating and implementing medium- and long-term incentive plans to offer corresponding incentives to those with outstanding performance. The Company will also actively explore a long-term incentive mechanism based on shareholding for implementation in due course.



### V. OTHER INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### 1. Service contract of directors and supervisors

Each of the executive directors and supervisors has entered into a service contract with the Company for a term of three years starting from their respective dates of appointment. Terms of such contracts are identical in all material respects and are set out as follows:

- (1) Each service contract was in effect from 17 August 2005 for a term of three years.
- (2) According to the service contract, for the three years commencing from 17 August 2005, the chairman will receive a remuneration of RMB600 thousands annually. Every executive director will receive a remuneration of RMB360 thousands annually. In addition, the chairman and other executive directors will be entitled to receive bonuses of RMB50 thousands respectively and RMB30 thousands respectively after every year of completed service.
- (3) For the three years commencing from 17 August 2005, each of the non-executive directors will receive an annual transportation allowance/a director's fee of RMB60 thousands respectively, each of the domestic independent non-executive directors will receive an annual transportation allowance/director's fee of RMB60 thousands respectively and each of the overseas independent non-executive directors will receive an annual transportation allowance/director's fee of RMB100 thousands respectively. Non-executive directors were not entitled to receive any bonus. Non-executive directors and independent non-executive directors were not entitled to receive any bonus nor required to enter into any service contract with the Company.

Save as disclosed above, no service contract which is terminable within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the directors or supervisors.

#### 2. Directors' and supervisors' interests in contracts

During the reporting period, no director or supervisor was materially interested in any contract entered into by the Company, AEHC or any of its subsidiaries.

#### 3. Interests held by directors and supervisor in competitive business

During the reporting period, according to the Listing Rules of the Stock Exchange of Hong Kong Limited, no director, supervisor or senior management was interested in any competitive business or potential competitive business.

#### 4. Model code for securities transactions by directors and supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as the code governing the transactions of securities by the Directors and Supervisors. After making specific enquiry to all Directors and Supervisors, it is confirmed by the Company that the Directors and Supervisors of the Company had complied with the relevant standard as provided in such mode referred to above.

#### 5. Independence of Independent Directors

The confirmations as prepared by all independent directors as to their independence were received by the Board of Directors. It was considered by the Board of Directors that the existing independent directors were complied with the relevant guidance as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and were still independent parties.

#### 6. During the reporting period, the Group did not directly or indirectly provide loans or guarantee for loans for the directors, supervisors and senior management of the Company and controlling shareholders and their connected persons.

#### 7. Interests to be disclosed

As at 31 December 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.

### VI. BIOGRAPHY OF DIRECTORS AND SUPERVISORS

#### Directors

**Mr. Wang Shui**, Chairman, aged 59, Senior Engineer. Prior to August 1996, Mr. Wang was the Deputy Commander of Anhui Expressway Engineering and Construction Office and Deputy Chairman of Anhui Department of Communications. Mr. Wang has been the chairman of the Company since the Company set up, and he is the General Manager and Secretary of the Party Committee of AEHC commencing from July 1998. In 2000, his outstanding performance in corporate management was recognized by the provincial government and was awarded the "Contribution Prize" Golden Award and the "Provincial Model Worker". In 2003, Mr. Wang was awarded "The Second Anhui Ten Largest Economic Persons".

**Mr. Li Yun Gui**, Director and General Manager, aged 56, Senior Economist. He was the Chairman of the Supervisory Committee from 1996 to 2002; he is the director and General Manager of the Company commencing from 17 August 2002. Mr. Li is the Deputy General Manager of AEHC commencing from August 2006.

**Mr. Tu Xiao Bei**, Deputy Chairman, aged 54, Senior Engineer. He was the director and General Manager of the Company from 1996 to 1999, and is the vice chairman of the Company commencing from 1999. Mr. Tu is the Deputy General Manager of AEHC commencing from July 1998. Besides, he is the Chairman of Xuanguang Expressway Company Limited.

**Mr. Zhang Wen Sheng**, Non-executive Director, aged 61, Senior Economist. He was the Director and Assistant Inspector of Reform & Law Department under the Ministry of Communications and is the director of the Company commencing from April 2001. Mr. Zhang is the Deputy General Manager of the Huajian Center commencing from 1998. Besides, he is the deputy chairman of North-east Expressway Company Limited, Sichuan Expressway Company Limited and Guangxi Wuzhou Transportation Company Limited, and the director of Jiangsu Expressway Company Limited.

**Mr. Li Zhang Lin**, Non-executive Director, aged 42, Senior Economist. He has held posts in the Planning Department of the Ministry of Communications and the China Merchants Group Limited successively, and now the Deputy Manager of the Securities Management Department of Huajian Transportation Economic Development Center. He is the director of the Company commencing from August 2005. Besides, Mr. Li is also the supervisor of North-east Expressway Company Limited.

**Mr. Leung Man Kit**, Independent Non-executive Director, aged 55, He has held senior positions with Peregrine Capital Limited, Corsby Securities Limited, Warburg Dillion Read and Ke Capital (Hong Kong) Limited. He has also represented AIG Asian Infrastructure Fund on the board of directors of its investee companies. Mr. Leung is also an independent non-executive director of Netease. Com Inc, Junefield Department Store Group Limited, China Ting Group Holdings Limited and Golden Harvest Entertainment (Holdings) Limited

**Ms. Li Mei**, Independent Non-executive Director, aged 44. She is a Senior Accountant, a Non-practiced Registered Accountant and Registered Tax Officer. Ms. Li has worked for the Renmin University of China, Stone Group and Centergates Securities Company Limited. She is now the General Manager of the Financial Department of Jiahe Life Insurance Company Limited.

**Ms. Guo Shan**, Independent Non-executive Director, aged 42. Mrs. Guo has worked for Legal Bureau of Beijing, Legal Department of the Intellectual Property of China, as well as Everbright Securities Company. Ms. Guo is currently a partner and the Deputy Director of Beijing S & P Law Firm.

### Supervisors

**Mr. Li Huai Jie**, Chairman of the Supervisory Committee, aged 60, Senior Economist. Mr. Li has worked for Anhui Provincial Planning Economy Commission, Anhui Provincial Energy Group Company Limited, Anhui Provincial Investment Group Company Limited, Anhui Wanneng Company Limited and China Anhui International Economic and Technology Cooperation Corporation with post of Deputy Director, Deputy General Manager, Deputy Chairman, Secretary to the Party Committee and General Manager respectively. He was the Deputy Secretary to the Party Committee of AEHC commencing from August 2006. He was appointed as the Chairman of the Supervisory Committee of the Company commencing from 27 October 2006.

**Ms. He Kun**, Supervisor, aged 31, Non-practiced Registered Accountant. She held the position as the director of the Company commencing from April 2002 to August 2005 and as the supervisor of the Company commencing from August 2005. She is now the Project Manager of the Securities Management Department of Huajian Transportation Economic Development Center. Besides, she is the supervisor of Sichuan Expressway Company Limited.

**Mr. Yang Yi Cong**, Supervisor, aged 52, Senior Political Officer. Mr. Yang was appointed as a member of the first Supervisory Committee and was elected as a member of the second, third and fourth Supervisory Committee by the Union Representatives.

### Other Senior Management

**Mr. Xie Xin Yu**, Deputy General Manager and Company Secretary, aged 41, Senior Engineer, an associated member of the Hong Kong Institute of Company Secretaries. He was the Deputy General Manager and Company Secretary from 1996 to 1999, director, Deputy General Manager and Company Secretary from 1999 to 2002 and holds the post as the Deputy General Manager and Company Secretary commencing from August 2002.

**Mr. Wang Chang Yin**, Deputy General Manager, aged 45, Senior Engineer, Registered Supervision Engineer. He held the post in Anhui Zongyang County Communications Bureau, Hetong Road Administration Office of Anhui Expressway Holding Corporation and the General Manager of Anhui Gaojie Expressway Company Limited. He was appointed as the Deputy General Manager of the Company commencing from October 2004.

**Ms. Liang Bing**, Manager of the Financial Department, aged 41, Accountant. Ms. Liang graduated from Anhui Tongling Financial Professional. Ms. Liang joined the Company in 1996 and held the post as the Manager of the Financial Department from December 2002.

### VII. STAFF AND TRAINING

As of 31 December 2007, the Company has a total of 1,410 employees and had to bear the costs of 20 retired employees.

#### 1. Profession composition

Profession type	Number
Management and professional staff	487
Toll collection and production staff	923

#### 2. Education

Education type	Number
Postgraduate diploma	22
University diploma	142
College graduate	444
Secondary vocational diploma	296
Senior high school and below	506

#### Staff Wages

As for staff wages, the Company pursued “the wages’ linking with their results”. In accordance with the principles of “distribution according to work” and “wages determination according to post”, the Company closely linked staff’s wages with post responsibility, working skill, working conditions and working contributions and established the incentive system of “post depending on competition and wages relying on contributions”.

#### Staff Insurance and Welfare Protecting

The Group takes care of staff and protects the staff’s legal interests. According to the State’s relevant stipulation, the Group has arranged the old-age insurance, basic medical insurance, unemployment insurance, injury insurance and child-bearing insurance for the staff and paid the above insurance fee in full.

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% to 27% of the basic salary of the employees (as to which 20% to 23% contributed by the Group and the remaining 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 2007, the Group contributed RMB4,057 thousands to the scheme.

The Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods. Additional compensations for employee retirement are recognized in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

### Staff Training

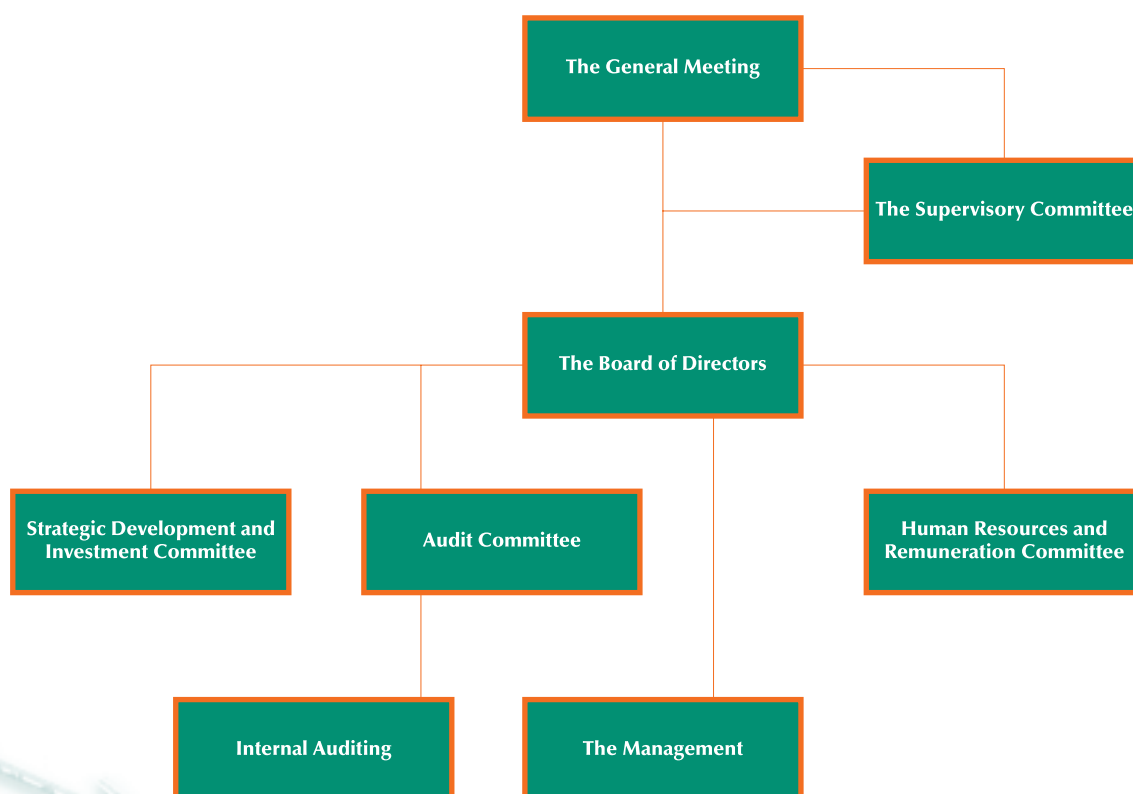
The Company pays great attention to staff training and establishes actual, applicative and effective plan according to the Company's demands. The training mainly includes improving the Management' overall management level, improving staff's post skill, professional technical staff's continuous education and special staff's working with certificate. During 2007, various departments of the Company held different special training of 10 times, including toll collector training, "Labor Contract Law" knowledge training, drivers ranking certificate training and various cadre advanced courses with total training persons of 300.

## I. Corporate Governance

Since its incorporation, the Company has strictly complied with the Company Law, Securities Law, the rules and regulations promulgated by the CSRC and relevant requirements of Listing Rules of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. The Company strived to improve its operation on corporate governance, so as to establish a modern enterprise system with an objective to perfect its corporate legal person's governance system.

During the reporting period, there were no differences between the actual conditions of the Company's corporate governance and the requirements of the CSRC's related laws and regulations. The Company, its Board and Directors were not investigated, punished administratively or criticized by the CSRC, nor were they punished by other administrative authorities or openly criticized by the stock exchange. The Board considered that the Company had also complied with the Code on Corporate Governance Practice of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## II. Legal person governance structure of the Company



### 1. The Board of Directors

#### (1) Obligation and division of work

The Board represents interests of all the shareholders and is wholly responsible to General Meetings. It has strictly complied with the “Rules Governing the Operation of the Board” within the authority scope of the Articles of Association, which stipulates the decision-making process related to the development strategies, planning and management and financial control. The Board also supervises and reviews the development and operation of the Company with the primary mission of achieving best operating results for shareholders.

The Company has clearly defined the responsibility of the Chairman and the General Manager. The responsibility of the Board and the management are separated and are set out in detail in the Company’s Articles of Association, the “Rules of proceedings for Board” and “Standing Orders for the Operation of General Manager”, ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities. The chairman is responsible for leading the Board to work out the corporate strategy and fulfil the Group’s goal.



## (2) Composition

The present Board is the Company's fourth session since incorporation. The Board of the Company consists of 9 directors, of which 4 are executive directors, 2 are non-executive directors and 3 are independent non-executive directors, which represent one-third of the Board. The term of the directors commence from 17 August 2005 to 16 August 2008. The profile of the members of the Board is as follows:

Name	Position	Post in AEHC and Huajian Center	Initial date for holding position as director	Experience/skill
Wang Shui	Chairman	General Manager of AEHC	August 1996	Investment strategy, Road management and construction
Li Yungui	Director and General Manager	Deputy General Manager of AEHC	August 1996	Human resources, Road management and construction
Tu Xiaobei	Deputy chairman	Deputy General Manager of AEHC	August 1996	Road management and construction
Zhang Hui	Director	—	August 1996	Road management and construction
Zhang Wensheng	Non-executive director	Deputy General Manager of Huajian Center	April 2001	Enterprise management
Li Zhanglin	Non-executive director	Deputy Manager of the Securities Management Department of Huajian Center	August 2005	Financial management
Leung Man Kit	Independent director	—	August 2005	Investment bank, Enterprise finance
Li Mei	Independent director	—	August 2005	Financial management
Guo Shan	Independent director	—	August 2005	Law

Members of the Board have different industry backgrounds with expertise in investment strategy, corporate management, financial accounting, highway management and construction, investment banking and human resources. Among them, not less than one Independent Director possesses the professional accounting qualifications required. The biographies of members of the board are set out in "Directors, Supervisors, Senior Management and Staff Profiles" of this annual report. There is no any relationship between the members of the Board, including finance, business, relative or other major relevant relationship.

The Company has a total of three independent directors, accounting for more than one third of the members of the board. All of them are familiar with their rights and obligations as independent directors of a listing company and have extensive professional experience. They have attended board meetings and board committee meetings with a consistent prudent and responsible, aggressive and serious attitude. Having made great efforts in improving corporate governance, they have also provided independent advice and recommendations to the board on major events and connected transactions of the Company, thereby safeguarding the overall interests of the Company and shareholders.

During the reporting period, the rate of attendance of the independent directors was 100%.

Name of independent directors	Number of meetings the independent directors should attend	Number of meetings attended in person	Attendance by appointment of proxy	Absence
Leung Man Kit	7	7	0	0
Li Mei	7	7	0	0
Guo Shan	7	7	0	0

The independent directors did not object to the decisions of the Board aforesaid.

### (3) The Board Meeting

In 2007, the Company held 7 Board meetings. The Board meeting has effective discuss and can work out fast and prudent decision-making. In 2007, the rate of attendance of the Board meeting was 100%. During the reporting period, the details for the directors attending the Board meeting and special committee are set out as follows:

Name	Position	Attendance in person/Number of Meetings)			
		The Board	Strategic Committee	Audit Committee	Remuneration Committee
Wang Shui	Chairman	7/7			
Li Yungui	Director and General Manager	7/7			
Tu Xiaobei	Deputy chairman	1/1			
Zhang Hui	Director	7/7			
Zhang Wensheng	Non-executive director	7/7			1/1
Li Zhanglin	Non-executive director	7/7		4/4	
Leung Man Kit	Independent director	7/7		4/4	1/1
Li Mei	Independent director	7/7		4/4	
Guo Shan	Independent director	7/7			1/1

Note: Mr. Zhang Hui, director of the Company, retired in Mach 2007 and held one Board meeting in his terms of office.

When a Board Meeting considers any transaction, the Directors shall report their interests involved, and shall not be present under appropriate conditions. The Company has stated that, if a substantial shareholder or a director has a conflict of interest in any material matter, the connected director must abstain from voting when a Board Meeting is held.

The Company's management is responsible for the provision of relevant materials and information required for the Board's consideration of various proposals and arranging for the senior management to report works while a Board Meeting is being held. The Company's Board and specialized committees under the Board are entitled to appoint independent professional institution for service according to the needs of the exercise of authority, performance of duties or businesses, and the reasonable expenses incurred thereon shall be borne by the Company.

## 2. Directors

### 1. Appointment

All Directors are elected or replaced by Shareholders' General Meeting; The Company's shareholders, Board or Supervisory Committee have the right to nominate candidates for directorship in written form. Directors are appointed for a term of three years, and are eligible for reelection or reappointment upon expiry of the term; Independent Directors shall be persons who do not have any connected relationship with the management and substantial shareholders of the Company.

The Company's Rules of Procedure of the Board of Directors have stated its requirements for the qualifications and basic qualities of directors, the method of nomination and the recommended procedure, i.e. the Human Resources and Remuneration Committee is responsible for reviewing and assessing the qualifications and qualities of candidates for directorship, and is responsible for making recommendations to the Board and providing explanations to the Shareholders' General Meeting. The accumulative voting system has been adopted for the election of the Company's Directors.

### 2. Information support and professional development

Following their appointment, new Directors will be provided a set of materials by the Company, including an overview of the Company's operations, an introduction to the responsibilities and duties of Directors and other statutory information. Meanwhile, directorship training will be provided for them pursuant to the relevant statutory requirements.

In addition, during their term of office, all Directors can obtain information regarding the statutory, regulatory and other continuing responsibilities they shall observe and the latest developments through the Company's Secretary in a timely manner. All the three incumbent Independent Directors of the Company have participated in the Independent Directors training organized by the Shanghai Stock Exchange. During the reporting period, the Executive Directors attended the directors training courses organized by the regulatory authority.

Through various forms such as the provision of information, work reporting, site visit and professional training, all Directors can keep abreast of the business development, competition and regulatory environment of the Company, thus ensuring the Directors can understand the duties they shall perform. This will facilitate correct and effective supervision by Directors and ensures the procedure of the Board is implemented consistently and the applicable laws and regulations are duly complied with.

### 3. Directors' remuneration

The details of the Company's remuneration policy, remuneration of Directors and senior management, the appraisal and incentive mechanism for senior management are set out in "Directors, Supervisors, Senior Management and Staff".

### 4. Independence of Directors

The Company has appointed a sufficient number of Independent Directors. Pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange, the confirmations from all Independent Directors as to their independence have been received by the Board of Directors. The Company considers that all existing Independent Directors have complied with the relevant guideline as set out in such Rule, and are still independent parties.

### 5. Securities Transactions by Directors

For securities transactions by Directors, the Company has adopted the code provisions on the trading of shares of the Company by Directors contained in the "Model Code for Securities Transactions by Directors 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, the Company confirms that all Directors fully complied with the "Model Code for Securities Transactions" in 2007.

### 3. Specific Committees of the Board

The Board of the Company established 3 Specific Committees. Each of the committees has formulated the Authority Scope Letter respectively to define its authority scope for supervising individual category affairs and approved by the Board.

#### (i) Strategic Development and Investment Committee (“the Strategic Committee”)

In August 2002, the Company established a Strategic Committee. The Strategic Committee conducts researches and gives advices on long-term strategic development projects, financial plans of major investments, major capital applications, asset management projects and major events affecting the Company’s development.

Composition of the Strategic Committee:

Mr. Wang Shui (Chairman of the Committee)	Executive Director
Mr. Li Yungui	Executive Director
Mr. Tu Xiaobei	Executive Director
Mr. Zhang Wensheng	Non-executive Director
Mr. Leung Man Kit	Independent Director

#### (ii) Audit Committee

The Audit Committee was set up in August 1999 by the Company. The Audit Committee is mainly responsible for supervising the Company’s internal control system and its execution, evaluating financial information and related disclosure, reviewing the internal control system, auditing major connected transactions and also communicating, supervising and investigating the Company’s internal and external audits. In March 2008, pursuant to the requirements of the “Circular on Properly Handling the 2007 Annual Reports of Listed Companies and the Related Work” issued by the CSRC, the Company formulated the “Working Regulation of Audit Committee”, and the original “Authority Scope Letter of Audit Committee” was abolished at the same time.

Composition of the Audit Committee:

Mr. Leung Man Kit (Chairman of the Committee)	Independent Director
Mr. Li Zhanglin	Non-executive Director
Ms. Li Mei	Independent Director

The Audit Committee held four meetings in 2007 at which the Management and the financial controller reported on the financial position of the Company and major matters related to internal control.

The Audit Committee makes at least one direct contact with external auditors of the Company each year to understand the procedures and principles for the preparation of the auditors’ report so as to serve as a basis for evaluation.

### **Audit Committee's Report**

The Audit Committee is responsible for reviewing and supervising the Group's financial reporting quality and procedure. According to the procedure, the management is responsible for preparing the Group's financial reports, including selecting appropriate accounting policies, and the external auditor is responsible for auditing and verifying the Group's financial reports and assessing the Group's internal control system. The Audit Committee supervises the work of the management and external auditor, and recognizes the procedure and protection measures adopted by them.

Before the announcement of the Unaudited 2007 First Quarterly and Third Quarterly Financial Reports prepared in accordance with the PRC Accounting Standards and the unaudited Interim Financial Report for the first six months, Audit Committee had reviewed them and proposed to the Board for approval.

According to the requirements of the "Circular on Properly Handling the 2007 Annual Reports of Listed Companies and the Related Work" issued by the CSRC, Audit Committee performed supervision in respect of the preparation procedure of the 2007 annual report, and conscientiously audited the relevant contents.

- (1) Audit Committee communicated with the accounting firm in respect of the Company's 2007 audit work and schedule, and determined the Company's 2007 audit work arrangement.
- (2) Audit Committee reviewed the financial and accounting statements prepared by the Company before the start of the accountants' auditing, and considered the Company's financial reports give a full, objective and true view of its financial position, operating results, cash flow and asset quality, and formed written comments.
- (3) After the external auditor had issued preliminary auditing opinions, Audit Committee reviewed the Company's financial and accounting statements again, discussed with the Company's management and external auditor, and discussed and communicated with the relevant parties in respect of the impact of the new accounting policy adopted for the financial year commencing from 1 January 2007.
- (4) In the process of audit, Audit Committee maintained continuous communication with the external auditor, and urged the external auditor to submit the audit report within the timeframe agreed while guaranteeing the quality of the audit work, ensuring the orderly performance and timely completion of each stage of the audit work of the Company.
- (5) Audit Committee convened the first meeting for 2008, and considered and approved the 2007 Financial Report and submitted it to the Board for review.
- (6) The Audit Committee considered that the Company's 2007 auditors - PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants was responsible, independent, objective and just for providing audit service for the Company and did a good job. Accordingly, the Audit Committee made a representation to the Board to continue to appoint the above two auditors as the Company's 2008 auditors.

Members of Audit Committee:

Leung Man Kit, Li Zhanglin, Li Mei  
March 2008

### (iii) Human Resources and Remuneration Committee (the “Remuneration Committee”)

In August 2002, the Company established the Remuneration Committee. The Remuneration Committee is mainly responsible for formulating the Company’s human resources development strategies and plans, formulating and reviewing the remuneration policy and plan for the Company’s directors and management.

Composition of the Remuneration Committee:

Mr. Zhang Wensheng (Chairman of the Committee)	Non-executive Director
Mr. Leung Man Kit	Independent Director
Ms. Guo Shan	Independent Director

#### ***The Remuneration Committee’s report***

The Remuneration Committee is responsible for formulating human resources development strategy and plan, research and formulation of remuneration policy and incentive system, and performance assessing and appointment and removal of the Company’s directors and senior management.

During the reporting period, in accordance with the Articles of Association, the Authority Scope Letter of Human Resources and Remuneration Committee and requirements of relevant laws and regulations, the Remuneration Committee carefully examined the Company’s remuneration policy and performance of the Company’s directors and senior management.

- (1) To examine the disclosure relation to remuneration of directors and supervisors in 2007 Annual Report, the Remuneration Committee considered that the above disclosure was complied with the stipulation of the Company’s remuneration policy and plan and complied with the disclosure standard required by domestic and overseas supervision institution, and confirmed that during the reporting period, no share incentive plan was involved.
- (2) According to operating plan and annual target ordered by the Board at the beginning of 2007, the Remuneration Committee examined the performance of the management, by which fixed on the remuneration of the Company’s senior management.

Members of Remuneration Committee:

Zhang Wensheng, Leung Man Kit, Guo Shan  
March 2008

### 4. Control System

#### (i) Supervisory Committee

The Supervisory Committee is responsible to all shareholders as a whole. Its core duties, among others, are to supervise the corporate finances and also to ensure that the directors and senior management are performing their duties with due diligence with a view to safeguarding corporate assets and protecting legal interests of the Company and its shareholders.

The Supervisory Committee consists of three supervisors, including Mr. Li Huaijie (Chairman of the Supervisory Committee), Mr. Yang Yicong and Ms. He Kun. The present Supervisory Committee is the Company's fourth session since incorporation. The term of the supervisors expires on 16 August 2008. The number of supervisors and the composition has complied with the requirements of the rules and regulations.

The Secretary to the Board of the Company also assumes the duties of the secretary to the Supervisory Committee, and is responsible for its day-to-day affairs and facilitates communication between the Supervisory Committee and the Board as well as the management. In 2007, the Supervisory Committee convened four meetings, supervised the performance of duties by the Company's financial personnel, Directors and Senior Management in compliance with the laws and regulations on behalf of shareholders, attended all the Board meetings and Shareholders' General Meetings, and conscientiously performed its duties. The details of the relevant work are set out in the "Supervisory Committee's Report" of this annual report.

#### (ii) Internal Control

The board is responsible for establishing and maintaining the internal control system of the Company for reviewing the relevant financial, operating and monitoring control procedures and safeguarding shareholders' interests and assets of the Company. The board authorizes the management to implement the internal control system and reviews its effectiveness through the audit committee.

The Company has established a relatively sound internal control system, including the Articles of Association, the Byelaws of Corporate Governance and the specific management system of the Company. The Company's management system specifies the division of responsibilities and the operating processes for each of its management businesses, mainly including a series of internal management systems like operational management, maintenance management, financial management, road administration and production safety management, plan management, asset management, documentation and stamp management, establishing a relatively sound, healthy and effective internal control system. The systems have been effectively implemented after establishment, realizing effective supervision, control and guidance for the Company's operations without significant risks of loss of control.



The Company has established the internal audit department to inspect, supervise and evaluate the financial information disclosure, operating and internal control activities of the Company on a regular basis and when necessary in accordance with risks existing in and the importance of the internal control systems of different businesses and flows so as to ensure the transparency of external information disclosure, the efficiency of operation and internal control system and provide independent and objective evaluations and recommendations in the form of an audit report.

### (iii) Auditors

The financial statements in the 2007 annual report was prepared in accordance with the PRC Accounting Standards and Hong Kong Accounting Standards, which have been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants respectively.

The fees paid to the above accountants for 2007 were as follows:

	2007	2006
	Audit fees	Audit fees
PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd	825,000	800,000
PricewaterhouseCoopers Certified Public Accountants	825,000	800,000

Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and lodging expenses were paid by the auditors. As at 2007, they have provided services to the Company for 6 years.

The audit committee has discussed and evaluated the accountants' professional quality and the execution of 2007 audit work and presented relevant opinions and improving ideas. The audit committee recommends to appoint PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants as the Company's 2008 auditors, which was approved at the Board and presented to be approved or authorized at 2007 Annual General Meeting.

### 5. Shareholders and other Stakeholders

The Company treats all the shareholders equally and ensures the all shareholders have the rights to be informed and to make decisions on material matters relating to the Company. The Company ensures that all shareholders, especially medium and small shareholders, are treated equally and may fully exercise their rights. Any shareholders and insiders of the Company are prohibited from any insider dealings with any insiders of the Company or any act that may jeopardize the interests of all shareholders and the Company.

#### (i) Shareholders' General meeting

The Shareholders' General Meeting is the organ of supreme power of the Company and exercises its powers according to law to determine major events of the Company. The annual general meeting and extraordinary general meetings provide direct channel for communication between the board and shareholders of the Company. Therefore, the Company has put great emphasis on general meetings and issues a meeting notice 45 days before the holding of a meeting requesting all directors and senior management to attend so far as possible. The Company encourages all shareholders to attend general meetings and welcomes them to deliver speeches at the meetings. For the details of the general meetings convened by the Company during the reporting period, see the "Profile of the General Meeting" section in the annual report for this year.

#### (ii) Substantial Shareholders

AEHC and Huajian Center are the substantial shareholders of the Company, holding 31.27% and 20.92% of the Company's shares. The Company's business, assets, staff, organization and finance are separated from those of the controlling shareholders, allowing the Company to have complete autonomy over its business and operations. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the law and have not intervened the decision making process and operations of the Company directly or indirectly bypassing the general meetings.

Other shareholders' materials as at the end of the reporting period, please see "Shareholders and the Change of Share Capital" section in the annual report for this year.

### (iii) Investor Relations and Communications, Information Disclosure and Investor Relations

#### *Information Disclosure*

The Company faithfully fulfilled the legal information disclosure obligation and disclosed information with truthfulness, accuracy and completeness strictly according to the "Information Disclosure Management System", "Information Disclosure Management System Implementation Detailed Rules" and "Investor Relations Management System" to ensure information disclosure in an open, fair and just way and that all shareholders can enjoy equal and full right of accessing information, and increase the transparency of the Company.

During the reporting period, the Company issued four periodic reports and thirteen extraordinary announcements according to the listing rules of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited. The Company's announcements were published in the China Securities Post, the Shanghai Securities Post, the Hong Kong Commercial Daily and the Standard in Hong Kong. Please see the detailed contents in the same-day newspaper or go to the websites of <http://www.sse.com.cn>, <http://www.hkex.com.hk> and <http://www.anhui-expressway.cn>.

Number	Date	Items
1	26 March 2007	Resolution announcement of the 10th meeting of the 4th Board
2	26 March 2007	Resolution announcement of the 8th meeting of the 4th Supervisory Committee
3	26 March 2007	Notice of 2006 Annual General Meeting
4	29 March 2007	Listing announcement of restricted circulating shares
5	27 April 2007	Resolution announcement of the 11th meeting of the 4th Board
6	14 May 2007	Resolution announcement of 2006 Annual General Meeting
7	20 June 2007	Implementation announcement of 2006 profit appropriation
8	29 June 2007	Resolution announcement of the 13th meeting of the 4th Board
9	6 July 2007	Resolution announcement of the 14th meeting of the 4th Board
10	6 July 2007	Corporate governance self-inspection and improving plan
11	24 July 2007	Notice of "Discussion Forum on Specific Corporate Governance Matters"
12	26 July 2007	Announcement on the adjustment of the preferential policy of the Company's applicable taxation
13	6 November 2007	Improving report of Specific Corporate Governance Matters

### ***Investor Relations***

The Company's management has been attaching importance to positive investor relations. The Company has formulated "Investor Relations Management System", specifying the way of implementing, contents and scope of work as well as the corresponding work procedure of investor relations management initiatives.

During the reporting period, in stringent accordance with the relevant regulations, the Company fully disclosed the related information to investors, disclosed significant information through regular reports and contingent announcements in a timely manner and provided information in connection with the Company's assets, traffic volume data, information disclosure and corporate governance by making full use of the corporate website, enabling investors to be informed of its latest developments timely and clearly, and improving the Company's transparency.

The Company has persisted in enhancing mutual communication through active investor relations activities. The Company communicates with investors through a wide variety of forms such as web site, result presentations, large investor promotional activities, analyst meetings, one-to-one meetings and telephone enquires to strengthen recognition from investors and increase the transparency of the Company.

#### Major investor relationship activities in 2007

- Company participated in the Access China Conference held by Deutsche Bank in Beijing in January 2007;
- The Company participated in the UBS Greater China Conference 2007 held by UBS in Shanghai in January 2007;
- The Company held 2006 Annual Results Press Conference in Hong Kong in March 2007;
- Company participated in JPMorgan China Conference held by JPMorgan Securities in Beijing in April 2007;
- The Company participated in the 12th CLSA China Forum held by CLSA in Shanghai in May 2007;
- The Company participated in UBS A-Share Conference held by UBS in Kunming in June 2007;
- The Company held 2007 Interim Results Press Conference in Hong Kong, Shenzhen, Shanghai and Beijing in August 2007;
- The Company participated in the 14th China Economy Development Forum held by BNP Paribas Peregrine in Xiamen in October 2007;
- The Company received more than 30 institutional investors for investigation and research in Hefei in 2007.

### 6. Corporate governance activities

In accordance with the requirements of the “Notice on the Matters concerning Carrying out a Special Campaign to Strengthen the Corporate Governance of Listed Companies” (Zheng Jian Gong Si Zi [2007] No. 28) and Anhui Provincial Securities Regulatory Bureau, the Company organized corporate governance activities from April to September of 2007.

The Company established an ad hoc work team and formulated detailed work schedule with the Company’s chairman, Mr.Wang Shui, as the first responsible person. The Company has made arrangement for Directors, Supervisors, Senior Management and the related personnel of the departments to carefully study the documents of the laws and regulations of corporate governance and self-inspect the deficiencies of the Company in terms of governance. The “Self-inspection Report on Corporate Governance and Reform Plan” was approved by the 14th Meeting of the Fourth Board of Directors and disclosed in the announcement dated 6 July. In August 2007, Anhui Provincial Securities Regulatory Bureau inspected the Company on site. The Company received the comments and recommendations regarding its governance conditions from Anhui Provincial Securities Regulatory Bureau and the Shanghai Stock Exchange, respectively. Based on the self-inspection and the requirements of the regulatory institutions, the Company reformed and improved its governance. The “Reform Report on Corporate Governance Activities” was considered and approved by the 16th Meeting of the Fourth Board of Directors and disclosed in the announcement dated 6 December 2007.

In the Corporate Governance Activities, pursuant to some new rules and regulations promulgated consecutively by the regulatory authorities recently, the Company has revised and improved some of its existing rules and regulations, which mainly include the Company’s “Measures for the Administration of the Company’s Information Disclosure (2007 revised)”, “Implementation Rules for the Information Disclosure Administration System”, “Measures for the Administration of Proceeds raised by the Company (2007 revised)”, and “Measures for the Administration of Investor Relations of the Company”. In the future, the Company will fully leverage on the functions of the Specialized Committees under the Board and Independent Directors to provide more grounds for decision making by the Board in making decisions and further improve the Company’s capabilities in scientific decision making and risks prevention.

In stringent compliance with the Company Law, Securities Law and the relevant requirements of CSRC, the Company will continue to conscientiously carry out the spirit of the activities, continue to implement the reform measures, leverage on the opportunity to further improve the Company’s regulated operations awareness and governance level, and promote the Company’s sustained and healthy development.

During the reporting period, the 2006 Annual General Meeting was held on 11 May 2007, the following major events were approved:

Events Approved by Ordinary Resolutions:

- The report of the Board of Directors, the report of the Supervisory Committee, the audited financial statements and the profit appropriation proposal for 2006;
- The appointments of 2007 PRC and overseas auditors and the Board of Directors were authorized to fix their remunerations.

Events Approved by Special Resolutions:

- The Board of Directors was authorized to allot or issue shares not more than 20% of each of the existing issued domestic shares and overseas listed foreign shares of the Company subject to certain conditions;

The resolution announcements of the 2006 Annual General Meeting were published in the Shanghai Securities Post, the China Securities Post, Hong Kong Commercial Daily and the Standard in Hong Kong on 14 May 2007.



During the reporting period, in accordance with the PRC Accounting Standards, the Group recorded an operating income of RMB1,688,879 thousands for the whole year. The net profit attributable to shareholders of the parent company was RMB517,448 thousands, and earnings per share was RMB0.312. In accordance with Hong Kong Accounting Standards, the profit attributable to equity holders of the Company was RMB470,955 thousands, and basic earnings per share was RMB0.2839.

### Review and Outlook

In 2007, the PRC economy maintained steady and fast growth with the positive trend of rapid economic growth, optimized structure, increased efficiency and improved livelihood of the people. GDP amounted to RMB24,661.9 billion for the whole year, an increase of 11.4% over last year. In 2007, various economic indicators of Anhui Province reached their best levels of recent years: The GDP of the whole province amounted to RMB734.57 billion, an increase of 13.9% over last year, the best level in almost 12 years; per capita disposable income amounted to RMB11,474, an increase of 17.4% over last year.

With the sustained and fast growth of the national economy in the whole province, together with an increase in resident income and consumption level, the number of travels increased obviously. In 2007, the industry of traffic and transportation of Anhui Province grew comparatively fast. The turnover volume of passengers and the turnover volume of goods increased by approximately 9.6% and 16.8% respectively compared with 2006, of which, the transportation volume of passengers and transportation volume of goods by highways increased by approximately 13.7% and 16.9% respectively compared with 2006.

In 2007, there was an additional length of expressways of 458 kilometers open to traffic. By the end of 2007, the length of expressways open to traffic within the province had increased from 866 kilometers at the end of 2002 to 2,205 kilometers, ranking No. 3 in the Central Region and No.9 across the country.

In 2007, the expansion project of Hening Expressway proceeded smoothly, and the reconstruction project of Xuanguang Expressway South Ring Road was successfully completed. The expansion and the reconstruction of the above roads have created room for an increase in the traffic volume for the Company's highway assets. The Company will be able to share to a greater extent the traffic volume increase as a result of the regional economic growth and improved highway network.

Looking ahead to 2008, the PRC economy will pursue a trend of reasonably fast, steady and coordinated healthy growth, which will provide new opportunities for economic development in Anhui Province. It is expected that both the operating quality and efficiency of the economy of the whole province will further improve. The continued development of the regional economy will enable the Company to achieve steady growth in its economic efficiency.

The traffic industry is still in the period of historical development opportunities. From 2008 to 2012, traffic industry in Anhui Province will complete fixed assets investment of RMB100 billion, build additional expressways with a length of 1,300 kilometers. By the end of 2012, the length of the expressways open to traffic in the whole province will have exceeded 3,500 kilometers, realizing east-west three-hour transit and south-north six-hour transit by expressways in Anhui. Meanwhile, vehicle ownership in the region is also maintaining fast growth. This means that the toll-road industry will still have vast development prospects and potential within a comparatively long period of time in the future and will bring good opportunities for the Group's development.

The environment of sustained economic growth and the positive industry development trend have brought opportunities for the Group's development, meanwhile, the Group currently also faces various risks and challenges: the redistribution of the overall traffic volume arising from the expanded highway network will inevitably lead to potential diversification; the difficulties in project acquisitions have increased; the continued increase in the project construction and finance cost has led to increasing difficulties in the selection of future investment projects.

The Company will devote full efforts to the operation and management of the roads, improve the quality service level, ensure orderly operation of the roads, and fully enhance the Company's core competitiveness; where there are no contributions from the new projects, the Company will fully tap the growth potential of the existing projects to improve the overall rate of return on its assets; through improving toll collection management, increase the maintenance level of the roads to reduce the operating cost; seek support from the major shareholders, select quality projects with potential, enhance the driving forces for the development of the Company at appropriate time to achieve sustained and steady development of the Company.





## Chairman's Statement

In 2008, the Company will elect the new Fifth Board. The Company's Board will continue to adhere to the principles of good faith and diligence to perform its duties honestly, fully leverage on the professional quality of each of the Directors, and improve the Company's decision making efficiency and control level.

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

**Wang Shui**

*Chairman*

Hefei, Anhui, the PRC

28 March 2008

### I. Usual Operation of the Board of Directors

Seven Board meetings of the Company were held in 2007, details are as follows:

Sessions of the Meeting	Convening date	Newspapers for information disclosure	Disclosure date
10th meeting of the 4th Board	23 March 2007		26 March 2007
11th meeting of the 4th Board	27 April 2007		30 April 2007
12th meeting of the 4th Board	31 May 2007	The Shanghai Securities Post	Free to disclose
13th meeting of the 4th Board	28 June 2007		29 June 2007
14th meeting of the 4th Board	5 July 2007	The China Securities Post	6 July 2007
15th meeting of the 4th Board	24 August 2007		Free to disclose
16th meeting of the 4th Board	26 October 2007		Free to disclose

### II. Execution of Resolutions Passed at the General Meeting by the Board of Directors

During the reporting period, the Board of Directors duly executed the contents of the following resolutions in accordance with the relevant law and regulations and the resolutions and authorities as passed in the General Meeting:

#### 1. Execution of 2006 profit appropriations of the Company

The 2006 profit appropriation plan was approved at the 2006 Annual General Meeting held on 11 May 2007: the payment of dividends of RMB2.5 (tax included) with the payout of RMB414,652,500 for every 10 shares on the basis of 1,658,610,000 shares in the total share capital at the end of 2006. Details please see announcements published on Shanghai Securities Post, China Securities Post, the Hong Kong Commercial Daily and the Standard in Hong Kong on 14 May 2007 and the announcement for payment of dividends for 2006 published on Shanghai Securities Post and China Securities Post on 20 June 2007. The dividends referred to above were paid in full.

#### 2. Issue of short-term financial bonds

The resolution of issuance within the territory of PRC short-term financial bonds not more than RMB1.5 billion in lump sum was approved at the General Meeting held on 27 October 2006. The resolution will be effective for 18 months starting from the date of approval at the EGM. At present, the financing plan was not implemented.

#### 3. Implementation report of Audit Committee under the Board

Details was set out in "Corporate Governance Structure and Control Report" in the annual report.

#### 4. Implementation report of Remuneration Committee under the Board

Details was set out in "Corporate Governance Structure and Control Report" in the annual report.

### III. Profit Appropriation Plan of 2007

The 2007 profit appropriation plan: The Group's net profit attributable to holders of the parent company as shown on the 2007 consolidated financial statements prepared in accordance with the PRC Accounting Standards was RMB517,448 thousands. The Group's net profit attributable to holders of the parent company as shown on the 2007 consolidated financial statements prepared in accordance with the Hong Kong Accounting Standards was RMB470,955 thousands. The Group appropriated RMB58,034 thousands of net profit to the statutory reserve fund, including the Company's appropriation to statutory reserve fund of RMB47,153 thousands and a subsidiary Xuanguang's appropriation to statutory reserve fund attributable to the Company of RMB10,881 thousands. Consequently, the profit attributable to shareholders was RMB459,414 thousands and RMB412,921 thousands in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards respectively. Pursuant to relevant regulations of the State, the profit attributable to shareholders should be the lower of that calculated in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards. Accordingly, the 2007 profit attributable to shareholders was RMB412,921 thousands. The Board of the Company recommended the payment of a final dividend of RMB331,722 thousands on the basis of RMB2.0 for every 10 shares (tax included) based on the total share capital outstanding at the end of 2007 of 1,658,610,000 shares. In 2007, no transfers of share capital from capital reserves were involved.

### IV. Other Events

#### 1. The statement in specific details by the certified public accountant about the capital allocation between the Company's controlling shareholder and other related parties.

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. stated in specific details about the capital allocation between the Company's controlling shareholder and other related parties pursuant to the requirements under the "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties" (Zheng Jian Fa [2003] No.56).

#### 2. The statement in specific details and the independent opinion of Independent Directors on accumulated and current external guarantees

The Independent Directors find that the Company has not provided any guarantee to the controlling shareholder and other related parties as at the end of the reporting period. Pursuant to the principle as implied in "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties", each independent director of the Company expresses independent opinion.

### I. Business Environment

Economic development is a key factor determining the traffic demand growth. The toll highway projects currently operated by the Group are all located within Anhui Province. The economic development of Anhui Province and neighboring provinces (in particular, the Yangtze River Delta) is closely linked to the operating performance of the Group's highway projects.

In 2007, the national economy of Anhui Province pursued a positive trend of faster economic growth, improved quality, enhanced momentum, and improved livelihood of the people. In 2007, the GDP of Anhui Province amounted to RMB734.57 billion, an increase of 13.9% over last year based on comparable price, a record high in 12 years; per capita GDP amounted to RMB12,015 (equivalent to US\$1,580), an increase of RMB1,960 over last year. The total retail sales of consumer goods for the whole year amounted to RMB240.37 billion, an increase of 18.4% over last year, of which automobiles increased by 50.3%.

### II. Analysis of Business Operation

#### Results summary (in accordance with the PRC Accounting Standard)

The Group's profit mainly came from the operation of toll highways. As at the end of the reporting period, the Group operated six toll highways, including five expressways and one national trunk. The profile of the toll highways was set out in the "Profile of highways" in the appendix. As the turnover and results for the year were mainly derived from the operation of toll roads by the Group in Anhui Province, no analysis on the Group's turnover and contribution to operating profits in terms of segments and geographical regions was presented.

During the reporting period, toll income of all highways of the Group kept stable increase resulted from the good development situation of economy, the Group achieved the operating income of RMB1,688,879 thousands (2006: 1,654,873 thousands), representing an increase of 2.05% over the corresponding period of the previous year; Total profit of RMB1,098,614 thousands (2006: 963,641 thousands), representing an increase of 14.01% over the corresponding period of the previous year; Net profit attributable to shareholders of the Company of RMB517,448 thousands (2006: 815,428 thousands), representing a decrease of 36.54% over the corresponding period of the previous year; Basic earnings per share of RMB0.312 (2006: 0.492), representing a decrease of 36.59% over the corresponding period of the previous year. The decrease of net profit was mainly because additional income tax of RMB149,550 thousands was levied for the year 2006 which was recorded in the income tax expenses in 2007 and income tax ratio of 33% was applied in 2007 (prior years: 15%).

## Management Discussion and Analysis

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

Projects	2007	Percentage of	2006	Percentage of
	(RMB'000)	total revenue (%)	(RMB'000)	total revenue (%)
Hening Expressway	645,125	38.20	630,210	38.08
New Tianchang Section of National Trunk 205	68,500	4.06	111,226	6.72
Gaojie Expressway	460,426	27.26	402,172	24.30
Xuanguang Expressway	287,449	17.02	275,269	16.63
Lianhuo Expressway Anhui Section	189,169	11.20	235,412	14.23
Ninghuai Expressway Tianchang Section	38,210	2.26	584	0.04
Total	<u>1,688,879</u>	<u>100.00</u>	<u>1,654,873</u>	<u>100.00</u>

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

## (II) Operations of toll highways

### *Operation of various sections*

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Terms of operation
Hening Expressway	134	4	8	3	Commencing from 16 August 1996 to 15 August 2026
New Tianchang Section of National Trunk 205	30	4	1	—	Commencing from 1 January 1997 to 31 December 2026
Gaojie Expressway	110	4	3	4	Commencing from 1 October 1999 to 30 September 2029
Xuanguang Expressway	84	4	4	1	Commencing from 1 January 1999 to 31 December 2028 (South Ring Road: Commencing from 1 September 2003 to 31 December 2028)
Lianhuo Expressway Anhui Section	54	4	5	1	Commencing from 1 January 2003 to 30 June 2032
Ninghuai Expressway Tianchang Section	14	6	1	1	Tentatively fixed at three years Commencing from 18 December 2006, The formal toll collection period will be determined by the future evaluation.

## Management Discussion and Analysis

Name of roads	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2007	2006	Change	2007	2006	Change
Hening Expressway	100%	<b>14,310</b>	14,695	-2.62%	<b>628,958</b>	616,674	1.99%
New Tianchang Section of National Trunk 205	100%	<b>7,983</b>	15,544	-48.64%	<b>66,427</b>	110,765	-40.03%
Gaojie Expressway	100%	<b>9,631</b>	8,291	16.16%	<b>449,150</b>	389,034	15.45%
Xuanguang Expressway	55.47%	<b>9,996</b>	8,870	12.69%	<b>285,652</b>	273,516	4.44%
Lianhuo Expressway							
Anhui Section	100%	<b>7,069</b>	8,723	-18.96%	<b>184,640</b>	226,629	-18.53%
Ninghuai Expressway	100%	<b>9,478</b>	4,457	112.65%	<b>36,389</b>	584	Not applicable
Tianchang Section							

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

Name of roads	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per vehicle (RMB)		
		2007	2006	2007	2006	Change
Hening Expressway	100%	57:43	60:40	120	115	4.35%
New Tianchang Section of National Trunk 205	100%	40:60	55:45	23	20	15.00%
Gaojie Expressway	100%	35:65	37:63	128	129	-0.78%
Xuanguang Expressway	55.47%	46:54	42:58	78	84	-7.14%
Lianhuo Expressway Anhui Section	100%	32:68	30:70	72	71	1.41%
Ninghuai Expressway						
Tianchang Section	100%	65:35	78:22	11	9	22.22%

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

## Management Discussion and Analysis

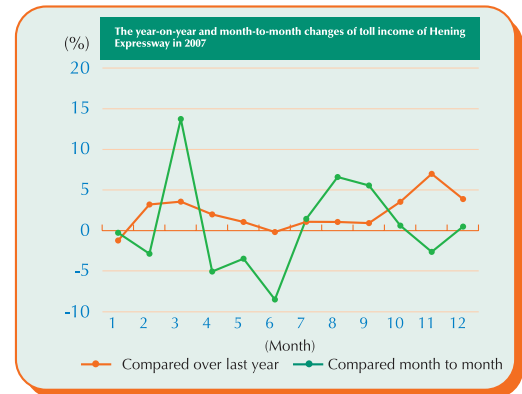
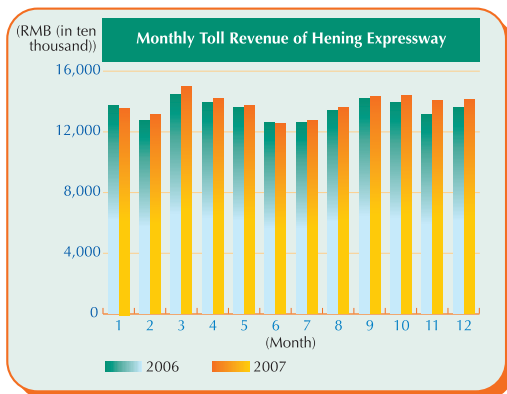
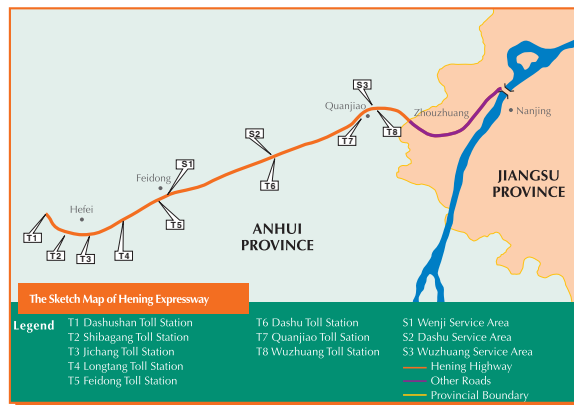
Unit: RMB'000

Name of roads	Operating income	Operating costs	Operating profit rate (%)	Change in operating income (%)	Change in operating costs (%)	Change in Operating profit rate (%)
Hening Expressway	645,125	125,869	65.65	2.37	-16.17	2.27
New Tianchang Section of National Trunk 205	68,500	24,506	47.96	-38.41	-4.29	-26.18
Gaojie Expressway	460,426	115,257	62.72	14.48	-10.49	10.99
Xuanguang Expressway	287,449	71,890	94.95	4.42	6.41	82.60
Lianhuo Expressway						
Anhui Section	189,169	79,776	41.89	-19.64	-10.28	-17.94
Ninghuai Expressway				Not applicable	Not applicable	Not applicable
Tianchang Section	38,210	21,531	29.13	applicable	applicable	applicable
<b>Total</b>	<b>1,688,879</b>	<b>438,829</b>	<b>65.61</b>	<b>2.05</b>	<b>-4.81</b>	<b>12.81</b>



## Hening Expressway

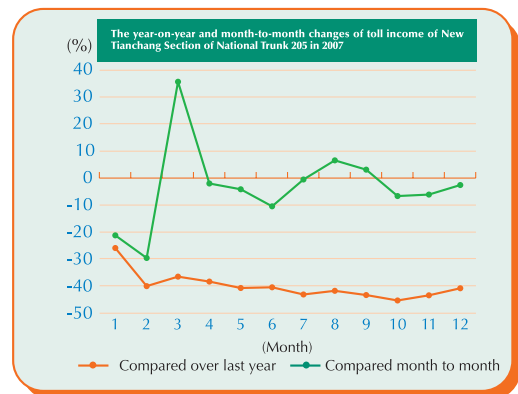
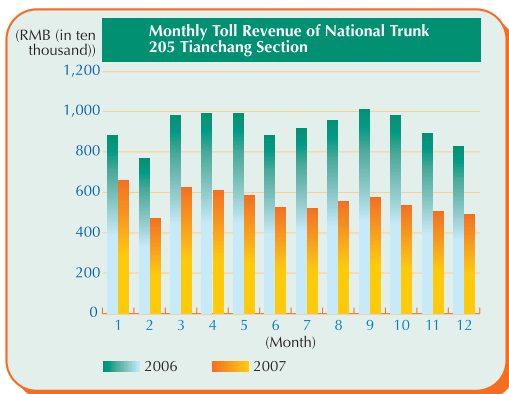
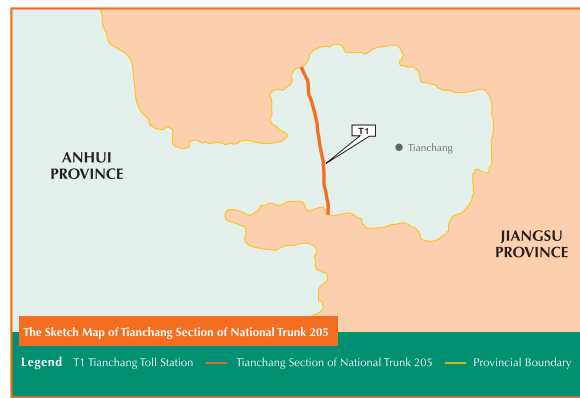
During the year, toll revenue amounted to RMB628,958 thousands, representing an increase of 1.99% over last year; Average daily traffic volume reached 14,310, representing a decrease of 2.65% over last year. In recent years, constantly densifying of highway network at the north part of Anhui Province resulted in the decrease of traffic volumes of Hening Expressway.



## New Tianchang Section of National Trunk 205

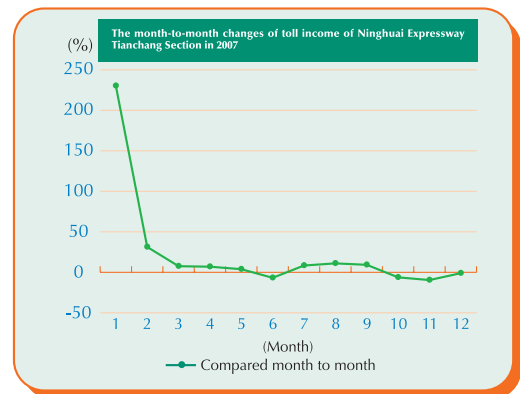
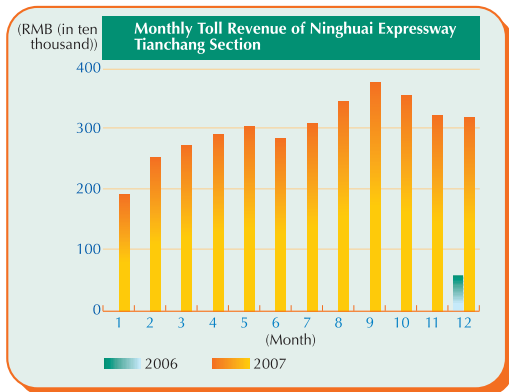
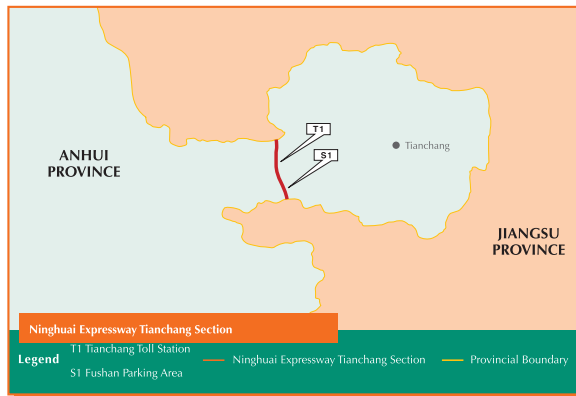
During the year, toll revenue amounted to RMB66,427 thousands representing a decrease of 40.03% over last year; Average daily traffic volumes reached 7,983, representing a decrease of 48.64% over last year,

On 18 December 2006, Ninghuai Expressway Tianchang Section was opened to traffic, which diversified the traffic volumes of new Tianchang Section of National Trunk 205 and the traffic volumes decreased substantially. With the calculation combining the above two highways, the traffic volumes were 17,461, representing an increase of 12% compared with that of the corresponding period of last year and the toll revenue was RMB102,816 thousands, representing a decrease of 7.66% compared with that of the corresponding period of last year. The reason for the decrease of toll revenue was that the mileage of Ninghuai Expressway Tianchang Section was 14km, which was far lower than New Tianchang Section of National Trunk 205 of 30km.



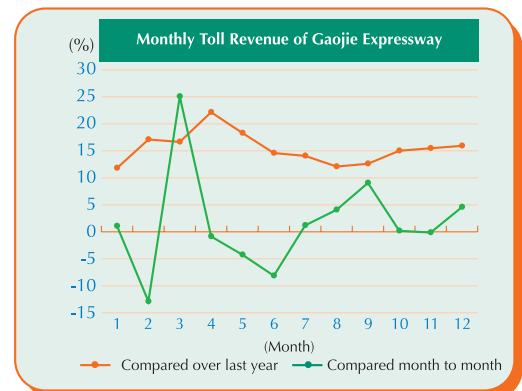
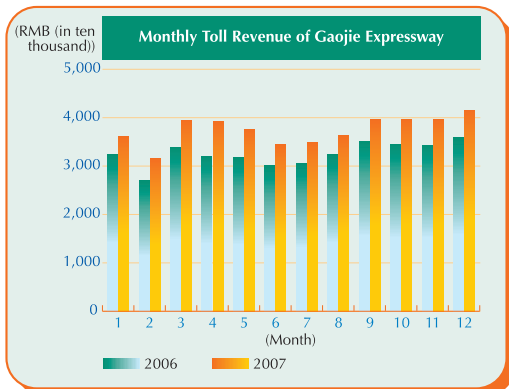
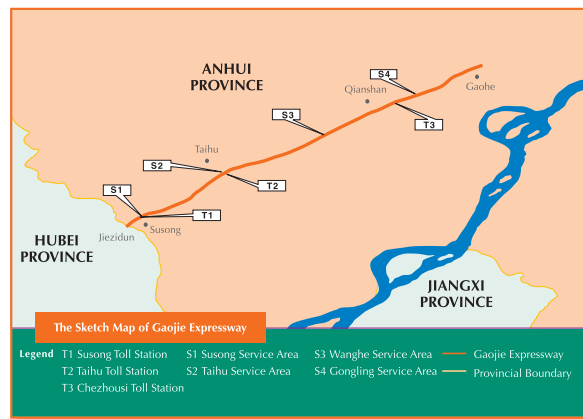
## Ninghuai Expressway Tianchang Section

During the year, toll revenue amounted to RMB36,389 thousands, representing an increase of 22.22% over last year; Average daily traffic volume reached 9,478, representing an increase of 112.65% over last year (note: Ninghuai Expressway Tianchang Section was opened to traffic on 18 December 2006).



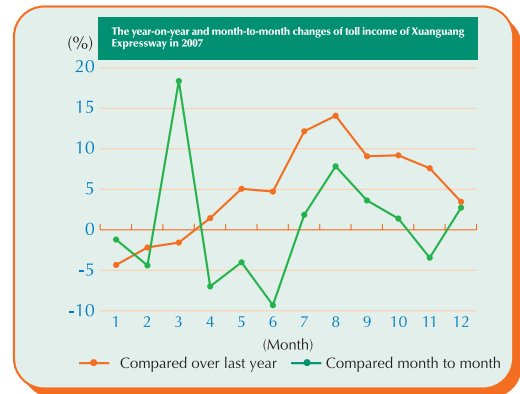
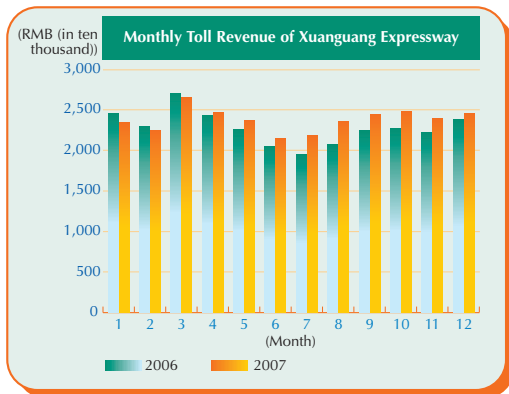
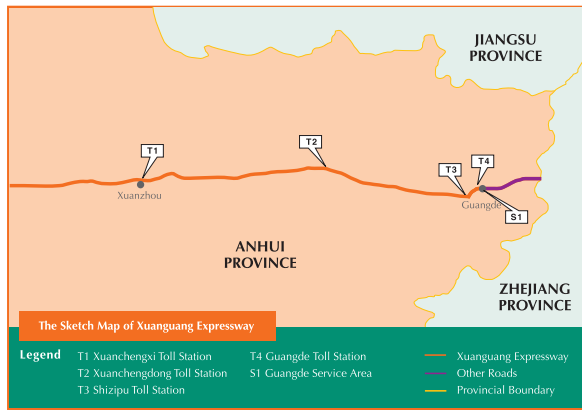
## Gaojie Expressway

During the year, toll revenue amounted to RMB449,150 thousands, representing an increase of 15.45% over last year; Average daily traffic volumes reached 9,631, representing an increase of 16.16% over last year. The increase of toll revenue was mainly due to the natural increase of traffic volumes.



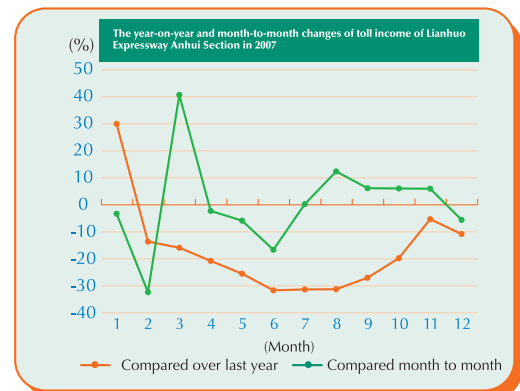
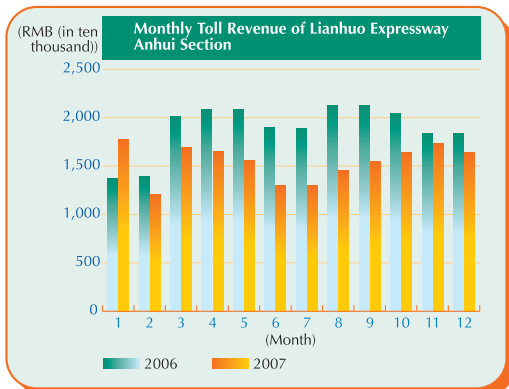
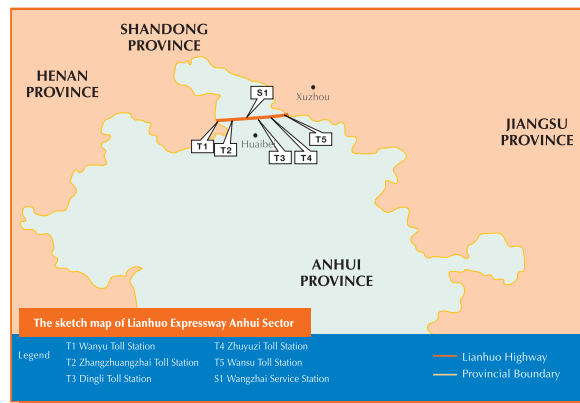
## Xuanguang Expressway

During the year, toll revenue amounted to RMB285,652 thousands, representing an increase of 4.44% over last year; Average daily traffic volumes reached 9,996, representing an increase of 12.69% over last year. The increase rate of toll revenue was far lower than that of traffic volumes was mainly due to the decrease of percentage of goods vehicles.



## Lianhuo Expressway Anhui Section

During the year, toll revenue amounted to RMB184,640 thousands, representing a decrease of 18.53% over last year; Average daily traffic volumes reached 7,069, representing a decrease of 18.96% over last year. The decrease of toll revenue was mainly due to constantly densifying of highway network at the north part of Anhui Province



### (III) Operating conditions and results of principal subsidiaries and investee companies of the Company (In accordance with the PRC Accounting Standards)

Unit: RMB'000

Name of companies	Interests held by the Group	Registered capital	Assets	Net profit (Loss)	Principal business
Xuanguang Company	55.47%	111,760	1,403,069	196,164	Construction, management and operation of Xuanguang Expressway
Kangcheng Pharmaceutical	65%	10,000	4,680	-418	Research, development and transfer of Western and Chinese medicine and scientific research results of medical apparatus and instruments
Expressway Advertisement	38%	3,800	44,511	2,906	Design, making, release and agency of domestic advertisements Information Investment
Information Investment	18%	100,000	149,587	8,208	Information infrastructure investment, information technology service, information engineering consultation and supervision
Expressway Real Estate	20%	12,000	—	—	Development of Real Estate, Real Estate management, construction, sales of building materials and decorating materials.

Note 1: All the above companies are incorporated in the PRC

Note 2: As at November 2007, the 20% interests in Expressway Real Estate held by the company was transferred to AEHC, the transfer price was the fair value of RMB4,633,313.82 confirmed by the third party's evaluation, which was approved by the State-owned Assets Management Department.

### (IV) Principal customers and suppliers

As the principal customers of the Company are users of toll highways, whereas the principal suppliers of the Company are contractors of toll highways, there is no further information on principal customers and suppliers to be disclosed.

## III. Project 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 42.64km. A plan of “Principally merging on both sides and partial segregation” is adopted for the widening works. During the widening works in process, Hening Expressway will be operated as usual. The total investment of the widening works is expected to be approximately RMB1.964 billion.

During the reporting period, RMB658 million was invested in the widening works. As at the end of the reporting period, the accumulated investment was RMB793 million.

### 2. Construction of Wantong Expressway Hi-tech Industrial Park

The construction of Wantong Expressway Hi-tech Industrial Park was commenced at the beginning of 2007 with the budgetary estimate of approximately RMB137 million and will be finished at the end of 2009. During the reporting period, RMB51,022 thousands was invested in the construction of Wantong Expressway Hi-tech Industrial Park and the accumulated investment was RMB53,428 thousands.

### 3. Reconstruction of Xuanguang Expressway South Ring Road

The reconstruction of Xuanguang Expressway South Ring Road was commenced from June 2007 with a total mileage was 16.98km. The total investment of the widening works is expected to be approximately RMB139 million. Part of the reconstruction was completed in December 2007. During the reporting period, RMB103 million was invested in the reconstruction.

### 4. Reconstruction of Gaojie Expressway

The reconstruction of Gaojie Expressway was commenced during the reporting period with the budgetary estimate of RMB970 million within two years. During the reconstruction, Gaojie Expressway will keep running as usual. During the reporting period, the main reconstruction work will be the planning and project design.



### IV. Analysis of Financial Condition and Operating Results (In accordance with the PRC Accounting Standards)

#### (I) Analysis of Financial Condition

##### **Total assets**

As at the end of the reporting period, the Group's total assets were RMB7,387,902 thousands, which was increased by 8.57% from RMB6,805,026 thousands at the beginning of 2007. This was mainly due to the widening of four-lane to eight-lane of Hening Expressway, reconstruction of Xuanguang Expressway and construction of Wantong Expressway Hi-tech Industrial Park.

##### **Current liabilities**

As at the end of the reporting period, the Group's current liabilities were RMB2,172,928 thousands, of which RMB1,390,000 thousands was short term borrowings, RMB393,089 thousands was accounts payables, RMB61,985 thousands was staff wages payables, RMB227,597 thousands was tax payables, RMB2,390 thousands was interests payables, RMB97,867 thousands was other payables, (including RMB34,672 thousands of toll income collected on behalf of the inter-network settlement center, RMB40,765 thousands of deposit from engineering projects, RMB7,605 thousands of road maintenance and central control repair expenses and RMB14,825 thousands of others). Pursuant to the Group's 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 the end of the reporting period, the Group's long-term liabilities were RMB370,954 thousands, which was mainly the balances of RMB235,070 thousands accrued from the total payables of the investment in Xuanguang Company by Xuancheng Highway Management Company Limited and the registered capital, the remaining of RMB34,673 thousands of the Group's provision of 1% for enterprise safety fund, which is based on the toll income from 2004 to 2006, deferred taxation liabilities of RMB53,211 thousands and government subsidies of RMB48,000 thousands relating to relevant assets of Ninghuai Expressway Tianchang Section..

##### **Shareholders' equities**

As at the end of the reporting period, the Group's shareholders' equities (excluding minority interests) was RMB4,625,384 thousands, representing an increase of RMB102,795 thousands from that at the beginning of the year, which was mainly due to the increase of net profit of this year resulting in the increase of unappropriated profit and transfers of surplus reserve.

## (II) Analysis of Operating Results

### *Operating income*

The Group's operating income in 2007 was RMB1,688,879 thousands, which was increased by 2.05% from that in 2006, of which income of Hening Expressway, New Tianchang Section of National Trunk 205, Gaojie Expressway, Xuanguang Expressway and Lianhuo Expressway Anhui Section were increased/decreased by 2.37%, -38.41%, 14.48%, 4.42% and -19.64% respectively from that in 2006.

#### Percentage of each highway's toll income to the total revenue (%)

Road	Hening Expressway	New Tianchang Section of National Trunk 205	Gaojie Expressway	Xuanguang Expressway	Lianhuo Expressway Anhui Section	Ninghuai Expressway Tianchang Section	Total
2007	38.20	4.06	27.26	17.02	11.20	2.26	100.00
2006	38.08	6.72	24.30	16.63	14.23	0.04	100.00

### *Operating costs*

In 2007, the Group's operating costs were RMB438,829 thousands, representing a decrease of 4.81% from that in 2006, which was mainly due to the decrease of maintenance expenses resulted from the reconstruction of cement road surface to asphalt of Hening Expressway and Xuanguang Expressway South Ring Road.

#### Percentage of specific costs to the costs of principal operations (%)

Project of Costs	Depreciation and amortization	Highways maintenance expenses	Other costs of operations	Total
2007	76.99	15.94	7.07	100.00
2006	64.18	19.36	16.46	100.00

### *Administration expenses*

In 2007, the Group's administration expenses were RMB94,582 thousands, representing an increase of 3.95% from that in 2006, which basically came in line with the increase trend of the Group's business.

### ***Finance costs***

The financial costs of the Group is approximately RMB-740 thousands for the year 2007, at credit side, which decreased significantly as compared with prior year. Pursuant to a resolution at the 9th meeting of second Board of Directors of Xuanguang Company, the settlement period for the long-term payables to Xuancheng Highway Management was substantially changed. Consequently, the Group accounted for this as an extinguishment of the original financial liability and recognition of a new financial liability in accordance with "Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments". The difference between carrying amount of the original and new financial liability was recognized in the income statement as deduction of finance costs, which led to the significant decrease of financial expenses.

### ***Investment income***

The investment income of the Group is approximately RMB6,488 thousands for the year ended 31 December 2007. Investment income mainly includes the disposal gain arising from transferring of 20% equity interests in Expressway Real Estate (associated company of the Company) with RMB4,484 thousands, share of Expressway Advertisement's (associated company of the Company) operating results with RMB1,104 thousands, and the cash dividends received from Information Investment with RMB900 thousands.

### ***Non-operating expenses***

In 2007, the Group's non-operating expenses were the loss of RMB15,008 thousands including removal of buildings and constructions of Wuzhuang Service Area and Dashu Service Area for widening of Hening Expressway and disposals of other fixed assets.

### ***Income taxation***

Income tax of the Group is approximately RMB493,961 thousands for the year ended 31 December 2007 (2006: RMB105,980 thousands), which increased by 366.09% as compared with prior year. It is mainly because additional income tax of RMB149,550 thousands was levied for the year 2006 which was recorded in the income tax expenses in 2007 and income tax ratio of 33% was applied in 2007 (prior years: 15%).

### **Net profit**

In 2007, the net profit of the Group was RMB604,653 thousands, net profit attributable to shareholders of the parent company was RMB517,448 thousands, representing a decrease of 29.50% and 36.54% respectively compared with that of the corresponding period of last year. The main reason for the decrease in net profit was the adjustment of the above income taxation rate.

### **(III) Cash flow analysis**

In 2007, the Group's net cash flow from operating activities was RMB1,165,648 thousands, which was increased by 7.05% from that in 2006. The increase was mainly due to the increase in toll income and receiving subsidies of Ninghuai Expressway Tianchang Section.

In 2007, the Group's net cash outflow from investing activities was RMB791,578 thousands, which was mainly used for widening of four-lane to eight-lane of Hening Expressway, reconstruction of Xuanguang Expressway South Ring Road and construction of Wantong Expressway Hi-tech Industrial Park.

In 2007, the Group's net cash outflow from financing activities was RMB367,346 thousands, which was mainly resulted from the payment of short-term bank loans and interests and payment of dividends.

In 2007, the Group's bank loans were RMB2,746,000 thousands in aggregate. As at the end of the reporting period, the balance of bank loans was RMB1,390,000 thousands. Interest rates for the above bank loans were 4.86-6.2415%. All bank loans were repayable within 6 months.

The Group is awarded with good credit ratings. In 2007, the total credit facilities granted during the year was RMB2.51 billion, and the facilities not yet utilized were RMB1.12 billion.

### **(IV) Capital expenditures**

In 2007, the Group's capital expenditure totaled RMB913 million, which was mainly comprised the widening of four-lane to eight-lane of Hening Expressway, reconstruction of Xuanguang Expressway South Ring Road and construction of Wantong Expressway Hi-tech Industrial Park, which was funded by internal resources and current capital from bank loans.

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

The capital expenditure commitment of the widening of four-lane to eight-lane of Hening Expressway was RMB189,162 thousands authorized by the Board but not contracted for; RMB981,784 thousands contracted for but not necessarily confirmed in the financial statement.

### (V) Capital structure analysis

In terms of capital liquidity:

	<b>31 December 2007</b>	31 December 2006
	(%)	(%)
Current liabilities	<b>29.41</b>	25.98
Long-term liabilities	<b>5.02</b>	5.47
Shareholders' equities attributable to the Company	<b>62.61</b>	66.46
Minority interests	<b>2.96</b>	2.09

In terms of interest rates:

	<b>31 December 2007</b>	31 December 2006
	(%)	(%)
Fixed interest rate liabilities	<b>18.81</b>	18.53
Interest-free liabilities	<b>15.62</b>	12.91
Shareholders' equities attributable to the Company	<b>62.61</b>	66.46
Minority interests	<b>2.96</b>	2.10

The Group's current bank borrowings are all fixed rate liabilities. Fluctuation in interest rates will not have any material impact on the Group's operating results. The Group's floating interest liabilities are the long-term payables to minority shareholders of subsidiaries. The Group's interest-free liabilities represent the general payables.

The Group's overall liabilities are at a low level with a sound and solid capital structure.

## V. Impact from New PRC Accounting Standards

The reconciliation between the consolidated owners' equity at the beginning and ending of 2006 and the consolidated net profit for the year ended 31 December 2006 presented in accordance with the previous Accounting Standards and System, and that presented in accordance with CAS is as follows:

	1 January 2006 Consolidated owners' equity	2006 Consolidated net profit	31 December 2006 Consolidated shareholders' equity
Amount presented in accordance with the Previous Accounting Standards and System	4,636,191,707.77	749,302,455.39	4,920,872,210.33
Adjustment of deferred tax	(139,208,188.69)	101,207,505.72	(38,000,682.97)
Including: Adjustment of deferred tax assets	—	14,847,696.93	14,847,696.93
Adjustment of deferred tax liabilities	(139,208,188.69)	86,359,808.79	(52,848,379.90)
Retrospective adjustment for long-term payables to minority shareholder (Note 1)	421,842,996.04	(261,696,390.27)	160,146,605.77
Including: Adjustment for long-term payables to Xuancheng Highway Management	187,485,941.43	(27,339,335.66)	160,146,605.77
Adjustment for long-term payables to AEHC	234,357,054.61	(234,357,054.61)	—
Derecognise goodwill arising from transaction with minority shareholders in accordance with the Previous Accounting Standards (Note 2)	—	224,729,299.50	(474,417,759.66)
Reversal of goodwill amortisation	—	31,627,850.64	31,627,850.64
Minority interests transfer in	200,075,013.05	(29,743,005.62)	65,109,782.73
Others	1,299.13	—	1,299.13
Amount presented in accordance with CAS	<u>5,118,902,827.30</u>	<u>815,427,715.36</u>	<u>4,665,339,305.97</u>

Notes (1) Long-term payable to minority shareholders was recognized initially at fair value and subsequently measured at amortized cost using the effective interest method in accordance with "Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments". The Group restated long-term payable in the financial statement prepared in accordance with "Interpretation No. 1 of Accounting Standards for Business Enterprises".

Note (2) In accordance with "No. 8 Opinion of Expert Task Force on Implementation Issues" issued by Ministry of Finance in February 2007, the Group made retrospective adjustment of derecognition of goodwill from transaction with minority shareholder. The goodwill was offset with the capital surplus in the consolidated financial statement on the combination date.

The comparative figures in respect of 2006 were retrospectively adjusted and restated to reflect these adjustments in accordance with CAS. Hence, no proforma financial statement for the year started at 1 January 2006 was provided.

### VI. Impact from 2008 snow disaster

From the end of January to the beginning of February of 2008, South China suffered from serious snowstorms, resulted from which the traffic volumes of the expressway sections operated by the Company had a significant decrease. According to the relevant notice issued by Anhui Provincial People's Government, the expressway sections operated by the Company (excluding Ninghuai Expressway Tianchang Section) would be free of charge for all vehicles for the period from 13:25 2 February 2008 to 24:00 6 February 2008. The new Tianchang Section of National Trunk 205 would be free of charge for passenger vehicles and cars for the period from 12:00 1 February 2008 to 24:00 6 February 2008.

Due to the above reason, toll income of the Company of January and February 2008 reduced by more than 10%. In addition, the snow disaster also damaged the road conditions of each of the sections, and road surfaces suffered from damages of various degrees due to the impact of snow cover and measures for removing snow. Specific conditions are under inspection and evaluation.

### VII. Business Development Environment and Plan

#### Development environment

To meet the needs of economic development, governments at international and local levels have carried out all-round forward-looking planning for the development of the traffic and transportation industry. According to the nation's "Eleventh Five-Year Plan" (2006-2010), the development of the traffic and transportation industry shall be given priority, and the highway network shall be further improved. During the "Eleventh Five-Year Plan", emphasis will be put on the construction of the national highway network, continuing to improve highway networks comprising trunk roads of national and provincial highways, connecting the inter-provincial access roads and maximizing the overall efficiency of highway networks; the total length of highways will reach 2.3 million kilometers, of which 650,000 kilometers will be expressways.

Looking ahead, as a province in the central part of China, together with the positioning of the traffic industry as a service industry, Anhui Province will face new development opportunities amidst the macro-economic control. Only relying on the sophisticated traffic infrastructure, being supported by comprehensive, convenient and highly-effective transportation services and being guaranteed by integrated traffic and transportation systems with seamless connection and complementary advantages can Anhui Province's strategic geographical advantages be translated to strong momentum for development. The economic and social development of Anhui Province entered into a new phase of accumulated strength and accelerated rise, with the supporting, guaranteeing, bearing and pulling functions of traffic becoming more obvious. During the five years from 2008 to 2012, Anhui Province will have completed fixed assets investment of RMB100 billion, and an additional length of expressways open to traffic of 1,300 kilometers. By the end of 2012, the length of expressways open to traffic in the whole province will exceed 3,500 kilometers.

Looking ahead, Anhui Province has a huge potential for economic development. According to Anhui Province's "Eleventh Five-Year Plan", by 2010, its per capita GDP will have reached over RMB15,500. The fast growth of Anhui's economy, the accelerated increase in vehicle ownership and the continued improvement in highway networks will create a very favorable development environment for the Company's future development.

### Plan for 2008

In 2008, through the following measures, the Company will seize opportunities, regulate management, and eliminate problems and risks encountered in the course of operation to reward all shareholders with better results.

1. Continuing to strengthen expressway toll collection management, improving the information collection and analysis means, continuing to improve the toll collection management system, continuously improving the contents of services and improving the lean management level of operations. Facilitating the construction and implementation of the non-stop toll collection system, continuously strengthening the post-modification management of IC cards, establishing a database system for receipts management and toll collection, and improving the toll collection efficiency at toll collection stations.
2. Continue to properly perform maintenance management; improve the system for limiting while maintaining traffic, make great efforts to implement fast maintenance and repair, reduce the road occupancy time, and increase the capacity of roads.
3. Continue to implement the expansion and reconstruction projects. For the expansion project of Hening Expressway, the management ideas shall be further optimized, and project supervision shall be strengthened. As for the reconstruction of Longxi Interchange, 70% were completed, with part of the roads completed and open to traffic. The pace of the reconstruction of Gaojie Expressway shall be stepped up, ensuring the annual objective was successfully achieved.
4. Speed up the preliminary work of Ningxuanhang Expressway Project

In March 2008, the Board passed the resolution of partnering with Xuancheng City Traffic Construction Investment Company, Limited to set up Anhui Ningxuanhang Expressway Investment Company, Limited ("Ningxuanhang Company") for joint investment in the construction of Anhui Section of Ningxuanhang Expressway. Ningxuanhang Company has a registered capital of RMB0.1 billion. The Company contributed RMB70 million in cash, and was interested in 70% equity. Ningxuanhang Expressway was 122 kilometers long and was scheduled to be constructed in three phases, of which the first section, Xuancheng to Ningguo, had a total length of 44 kilometers. This year, the preliminary work of the project shall be stepped up, including the project set-up, engineering feasibility study and special evaluation.





## Management Discussion and Analysis

5. Regulate the operation of service areas, and improve the overall service level. According to the requirements of “regulated management, capable team, refined services and featured operations” for service areas, operational management shall be strengthened to take full advantage of the functions and efficiencies of service areas.
6. Continuously create channels of communication and enrich means of communication; Enhance the staff’s sense of belonging and honor to jointly maintain the enterprise’s interests and social image.

The Group will continue to focus on the operations and management of toll roads, strive to improve profitability, enhance the Company’s development driving force in due course, further optimize the internal control mechanism, improve the management level to realize fast and steady development.

**Li Yungui**

*General Manager*

Hefei, Anhui, the PRC

28 March 2008

### I. Meetings and the Resolutions of the Supervisory Committee during the Reporting Period

In 2007, all members of the Supervisory Committee have strictly complied with the requirements of the “Corporate Law”, “Listing Rules”, “the Articles of Association” of the Company and “the Standing Orders of the Supervisory Committee”. Under the general principle of the faith, they performed their duties prudently and actively with an aim to protect the statutory interests of the shareholders and the Company.

In 2007, the Supervisory Committee held four meetings, the notice, convening and resolutions of which were in accordance with the statutory procedures.

The major events the Supervisory Committee considered and examined including:

- The 2006 working report of the Supervisory Committee;
- 2006 annual results and profit appropriation proposal;
- The periodic report.

The Supervisory Committee attended all the Board meetings, examined the subscription of written resolution of the Board and effectively supervised the management behaviors of Directors, the Management and the Senior Management and the decision-making situations of the Company.

### II. Independent Opinion of the Supervisory Committee

#### 1. Compliance with law in operations

During the reporting period, the Supervisory Committee conducted supervisions on the procedures for convening shareholders’ general meetings and Board meetings, matters to be resolved, implementation of resolutions of general meetings by Directors, and implementation of Board resolutions by the management, and considered that the procedures for the Company’s establishment of various systems were regularized, system implementations, daily operation and management activities were operated in accordance with the laws and regularized operations, the internal system constantly perfected and the corporate governance improved.

The Directors and senior management of the Company were able to comply with the laws and regulations, seriously discharged their duties, and strictly complied with the principles of fidelity, and actively, prudently and diligently performed their duties for the overall benefits of the Company. The procedures of decisions were legal and valid, and there were no actions in violation of the laws and regulations, and no abuse of powers or actions which might harm the benefits of the Company and the interests of the shareholders and the staff.

### 2. Financial situation of the Company

The Supervisory Committee carefully examined the 2007 financial report, profit appropriation plan and other accounting documents, considered that the financial income and expenses account of the Company was clear, the accounting calculation and financial management conformed with relevant rules and did not find questions. The Group's domestic and overseas auditors have audited the Company's 2007 financial reports based on the PRC GAAP and HKFRS respectively, and have issued standard and unqualified opinions on the consolidated financial statements. Having made reviews, the Supervisory Committee considered that the audit reports were objective, true, and fairly reflected the financial situation, operation results and cash-flow of the Company.

### 3. Assets Acquired or Sold by the Company

During the reporting period, assets sold by the Company: Transfer of 20% interests of Expressway Real Estate. The Supervisory Committee considered that the transfer was strictly complied with stipulation of the Articles of Association of the Company, the trading price was reasonable, and no act of damaging to the interests of the shareholders and loss of assets involved.

### 4. Connected Transactions of the Company

The Supervisory Committee was of the opinion that all contracts, agreements and other relevant documents pertaining to the connected transactions complied with the laws. These contracts and agreements were fair and reasonable, without prejudice to the interests of the Company and its shareholders. The connected transactions were conducted strictly in compliance with fair, partial and open principles. In order to safeguard the interests of the public shareholders, the Company processed the connected transactions of which its controlling shareholders are parties to it in accordance with applicable requirements. No act of which is damaging to the interests of the public shareholders was reported.

The Supervisory Committee will abide with its prudent and diligent style, conscientiously implementing the duties of the Supervisory Committee and protect the legal interests of shareholders.

By Order of the Supervisory Committee

**Li Huaijie**  
*Chairman*

Hefei, Anhui, the PRC  
28 March 2008

## I. MATERIAL LITIGATION AND ARBITRATION

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

## II. MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS AND MERGERS

As at November 2007, the 20% interests in Expressway Real Estate held by the company was transferred to AEHC, the transfer price was the fair value of RMB4,633,313.82 confirmed by the third party's evaluation, which was approved by the State-owned Assets Management Department.

## III. SIGNIFICANT CONNECTED TRANSACTIONS

### Connected transactions in relation to daily operations

Unit: RMB'000

Connected parties	Contents of connected transactions	Price-making principles of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Method of payment
AEHC	To provide with management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	998	10.98%	Transfer accounts
Anlian Company	To provide with management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	333	3.66%	Transfer accounts
Expressway Investment	To provide office building lease	Made by negotiations through fair principles with reference to its costs	263	15.83%	Transfer accounts

Details please see the Note 38 to the financial report in this annual report.

### Connected transactions of assets and shares transfer

As at November 2007, the 20% interests in Expressway Real Estate held by the company was transferred to AEHC, the transfer price was the fair value of RMB4,633,313.82 confirmed by the third party's evaluation, which was approved by the State-owned Assets Management Department.

#### IV. CONFIRMATION BY THE INDEPENDENT DIRECTORS REGARDING CONNECTED TRANSACTIONS

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

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

#### V. 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, holding companies and other companies.

##### 3. Financial entrustment

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

##### 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 mature.

## VI. COMMITMENTS BY THE COMPANY AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE TOTAL CAPITAL

- (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) 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	<ol style="list-style-type: none"> <li>(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;</li> <li>(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;</li> </ol>	Implemented their undertakings carefully without breach.

## Major Events

Name of shareholders	Particular commitments	The implementation of their undertakings
Huajian Transportation Economic Development Center	<p>(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;</p> <p>(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;</p> <p>(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, pay attention to protect shareholders' interests.</p>	

## VII. APPOINTMENT OF ACCOUNTANTS

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants were approved to be appointed as the PRC auditors and Hong Kong auditors for 2007 respectively at the 2006 Annual General Meeting. The fees paid to the above accountants for 2007 were as follows:

	2007	2006
	Audit fees	Audit fees
PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd	<b>825,000</b>	800,000
PricewaterhouseCoopers Certified Public Accountants	<b>825,000</b>	800,000

Unit: RMB

Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and lodging expenses were paid by the auditors. As at 2007, they have provided services to the Company for 6 years.

## VIII. PUNISHMENT BY REGULATORY AUTHORITIES

During the reporting period, neither the Company nor the Board of Directors and its directors were involved in any punishment by the regulatory authorities.

## IX. 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 proportions of their shareholdings.

## X. INTERNAL CONTROL OF THE COMPANY

Details of the perfection of internal control of the Company is defined in Section V "Corporate Governance Structure and Governance Report".





## Documents Available for Inspection

Including the following documents:

- I. The original copy of the Annual Report signed by the Chairman;
- II. The accountant's report, signed by the legal representative, accountant director in charge of accounting, and accounting director and stamped with corporate seal;
- III. The original copy of auditor's report, sealed by PricewaterhouseCoopers Zhongtian CPAs, signed by the public accountant; the financial statement prepared in accordance with the Chinese Accounting Standards and the original copy of auditor's report signed by PricewaterhouseCoopers CPAs and the financial statement prepared in accordance with the Hong Kong Accounting Standards;
- IV. The original copies of corporate documents and announcements published in the Shanghai Securities Post, China Securities Post, the Hong Kong Commercial Daily and the Standard in Hong Kong;
- V. The Articles of Association.

Place of inspection:

The Office of the Secretary to the Board of Directors  
520 Wangjiang West Road, Hefei, Anhui, the PRC



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888

### Independent Auditor's Report

To the shareholders of  
ANHUI EXPRESSWAY COMPANY LIMITED  
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 144, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

## Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 28 March 2008

## Consolidated balance sheet

As at 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

ASSETS	Note	As at 31 December	
		2007	2006
<b>Non-current assets</b>			
Property, plant and equipment	7	7,315,979	6,688,818
Investment property	8	22,841	—
Land use rights	6	574,381	575,267
Intangible assets	9	3,485	3,988
Investments in associates	12	7,409	6,455
Available-for-sale financial assets	13	18,000	18,000
		<b>7,942,095</b>	<b>7,292,528</b>
<b>Current assets</b>			
Inventories	15	2,983	2,873
Trade and other receivables	14	15,391	15,542
Cash and cash equivalents	16	407,178	400,453
		<b>425,552</b>	<b>418,868</b>
<b>Total assets</b>		<b>8,367,647</b>	<b>7,711,396</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Ordinary share capital	17	1,658,610	1,658,610
Share premium	17	1,415,593	1,447,459
Other reserves	18	3,385	(41,689)
Retained earnings			
-Proposed final dividend	33	331,722	414,653
-Others		2,009,398	1,917,318
		<b>5,418,708</b>	<b>5,396,351</b>
<b>Minority interest in equity</b>		<b>218,634</b>	<b>65,110</b>
<b>Total equity</b>		<b>5,637,342</b>	<b>5,461,461</b>

The notes on pages 90 to 144 are an integral part of these consolidated financial statements.

## Consolidated balance sheet (Continued)

As at 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2007	2006
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term payables	22	235,070	281,770
Deferred income tax liabilities	23	274,307	200,523
Deferred income	21	48,000	—
		<u>557,377</u>	<u>482,293</u>
<b>Current liabilities</b>			
Trade and other payables	19	574,867	497,322
Current income tax liabilities	30	208,061	9,320
Borrowings	20	1,390,000	1,261,000
		<u>2,172,928</u>	<u>1,767,642</u>
<b>Total liabilities</b>		<u>2,730,305</u>	<u>2,249,935</u>
<b>Total equity and liabilities</b>		<u>8,367,647</u>	<u>7,711,396</u>
<b>Net current liabilities</b>		<u>(1,747,376)</u>	<u>(1,348,774)</u>
<b>Total assets less current liabilities</b>		<u>6,194,719</u>	<u>5,943,754</u>

The notes on pages 90 to 144 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 28 March 2008

Director

Director

## Balance sheet

As at 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

ASSETS	Note	As at 31 December	
		2007	2006
<b>Non-current assets</b>			
Property, plant and equipment	7	6,597,527	6,085,724
Investment property	8	22,841	—
Land use rights	6	454,836	451,840
Investments in subsidiaries	10	68,495	68,495
Loans to a subsidiary	11	172,530	206,467
Investments in associates	12	1,443	1,593
Available-for-sale financial assets	13	18,000	18,000
		<b>7,335,672</b>	<b>6,832,119</b>
<b>Current assets</b>			
Inventories	15	2,983	2,873
Prepaid income tax		—	925
Loans to a subsidiary, current portion	11	—	53,000
Trade and other receivables	14	14,959	013,119
Cash and cash equivalents	16	376,468	345,738
		<b>394,410</b>	<b>415,655</b>
<b>Total assets</b>		<b>7,730,082</b>	<b>7,247,774</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Ordinary share capital	17	1,658,610	1,658,610
Share premium	17	1,415,593	1,447,459
Other reserves	18	637,370	590,579
Retained earnings			
-Proposed final dividend	33	331,722	414,653
-Others		1,665,321	1,564,619
<b>Total equity</b>		<b>5,708,616</b>	<b>5,675,920</b>

The notes on pages 90 to 144 are an integral part of these financial statements.

## Balance sheet (Continued)

As at 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	2007	2006
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	23	165,880	106,617
Deferred income	21	48,000	—
		<u>213,880</u>	<u>106,617</u>
<b>Current liabilities</b>			
Trade and other payables	19	463,892	389,237
Current income tax liabilities	30	193,694	—
Borrowings	20	1,150,000	1,076,000
		<u>1,807,586</u>	<u>1,465,237</u>
<b>Total liabilities</b>		<u>2,021,466</u>	<u>1,571,854</u>
<b>Total equity and liabilities</b>		<u>7,730,082</u>	<u>7,247,774</u>
<b>Net current liabilities</b>		<u>(1,413,176)</u>	<u>(1,049,582)</u>
<b>Total assets less current liabilities</b>		<u>5,922,496</u>	<u>5,782,537</u>

The notes on pages 90 to 144 are an integral part of these financial statements.

Approved by the Board of Directors on 28 March 2008

Director

Director

## Consolidated income statement

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2007	2006
<b>Revenues</b>	25	<b>1,634,188</b>	1,604,891
Cost of sales	27	<b>(349,390)</b>	(389,595)
<b>Gross profit</b>		<b>1,284,798</b>	1,215,296
Other (losses) / gains -net	26	<b>(443)</b>	5,023
Administrative expenses	27	<b>(95,572)</b>	(91,831)
<b>Operating profit</b>		<b>1,188,783</b>	1,128,488
Finance costs	29	<b>(1,834)</b>	(93,811)
Share of profit of associates		<b>1,104</b>	366
<b>Profit before income tax</b>		<b>1,188,053</b>	1,035,043
Income tax expense	30	<b>(552,253)</b>	(91,129)
<b>Profit for the year</b>		<b>635,800</b>	943,914
<b>Attributable to :</b>			
Equity holders of the Company	31	<b>470,955</b>	931,424
Minority interest		<b>164,845</b>	12,490
		<b>635,800</b>	943,914
<b>Basic earnings per share</b> (expressed in RMB per share)	32	<b>0.2839</b>	0.5616
<b>Dividends</b>	33	<b>331,722</b>	414,653

The notes on pages 90 to 144 are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to equity holders of the Company			Retained earnings	Minority Interest	Total
	Ordinary share capital (Note 17)	Share premium (Note 17)	Other reserves (Note 18)			
<b>Balance at 1 January</b>						
<b>2006</b>	1,658,610	1,447,459	610,004	1,912,623	200,075	5,828,771
Profit for the year	—	—	—	931,424	12,490	943,914
Profit appropriation	—	—	102,576	(102,576)	—	—
Acquisition of minority interests	—	—	—	—	(147,000)	(147,000)
Excess of the consideration over the carrying amount of the minority interests acquired	—	—	(699,147)	—	—	(699,147)
Transfers	—	—	(54,284)	54,284	—	—
2005 final dividends	—	—	—	(464,411)	—	(464,411)
Others	—	—	(838)	627	(455)	(666)
<b>Balance at 31 December</b>						
<b>2006</b>	1,658,610	1,447,459	(41,689)	2,331,971	65,110	5,461,461
Profit for the year	—	—	—	470,955	164,845	635,800
Profit appropriation	—	—	47,153	(47,153)	—	—
2006 final dividends	—	—	—	(414,653)	—	(414,653)
2006 dividends to minority shareholder by subsidiary	—	—	—	—	(11,321)	(11,321)
Restatement of deferred tax liability as a result of change in income tax rate	—	(31,866)	—	—	—	(31,866)
Others	—	—	(2,079)	—	—	(2,079)
<b>Balance at 31 December</b>						
<b>2007</b>	<b>1,658,610</b>	<b>1,415,593</b>	<b>3,385</b>	<b>2,341,120</b>	<b>218,634</b>	<b>5,637,342</b>

The notes on pages 90 to 144 are an integral part of these consolidated financial statements.

## Consolidated cash flow statement

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2007	2006
<b>Cash flows from operating activities</b>			
Cash generated from operations	35(a)	1,482,970	1,400,604
Interest paid		(70,372)	(57,079)
Income tax paid		(318,039)	(311,346)
<b>Net cash generated from operating activities</b>		<b>1,094,559</b>	<b>1,032,179</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	35(b)	(778,584)	(592,371)
Purchase of intangible assets		—	(954)
Prepaid lease for land use rights		(22,368)	(119,736)
Acquisition of minority interest	10(b)	—	(950,000)
Proceeds from sales of investments in an associate		4,633	—
Proceeds from sales of property, plant and equipment		278	357
Interest received		3,564	2,717
Dividend received		900	1,080
<b>Net cash used in investing activities</b>		<b>(791,577)</b>	<b>(1,658,907)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,746,000	3,326,000
Repayments of borrowings		(2,617,000)	(2,415,000)
Dividends paid to minority interests		(11,321)	—
Dividends paid to the Company's shareholders		(414,653)	(464,411)
<b>Net cash (used in) / generated from financing activities</b>		<b>(296,974)</b>	<b>446,589</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>6,008</b>	<b>(180,139)</b>
Cash and cash equivalents at beginning of the year		400,453	580,964
Exchange gains / (losses) on cash and cash equivalents		717	(372)
<b>Cash and cash equivalents at end of the year</b>		<b>407,178</b>	<b>400,453</b>

The notes on pages 90 to 144 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

*For the year ended 31 December 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 (the “Group”) 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, PRC.

These financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 28 March 2008.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of long-term payables, which was recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (a) Standards, amendments and interpretations becoming effective in 2007

- Hong Kong International Financial Reporting Interpretation Committee (“HK(IFRIC)”) - Int 8, ‘Scope of HKFRS 2’, which is effective for the Group beginning on 1 January 2007, 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 in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group’s financial statements;
- HK(IFRIC) - Int 10, ‘Interim financial reporting and impairment’, which is effective for the Group beginning on 1 January 2007, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group’s financial statements; and
- HKFRS 7, Financial instruments: Disclosures, and the complementary amendment to Hong Kong Accounting Standards (“HKAS”) 1, ‘Presentation of financial statements - Capital disclosures’, both effective for the Group beginning on 1 January 2007. HKFRS 7 and HKAS 1 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments, or the disclosures relating to taxation and trade and other payables.

#### (b) Standards, amendments and interpretations becoming effective in 2007 but not relevant to the Group’s operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group’s operations:

- HK(IFRIC) - Int 7, ‘Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary 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; and
- HK(IFRIC) - Int 9, ‘Re-assessment of embedded derivatives’ (effective from 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. As none of the Group’s entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group’s operations.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

(c) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

- HK(IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The Group will apply HK(IFRIC)-Int 12 from 1 January 2008. In accordance with HK(IFRIC) - Int 12, the Group's expressway related assets shall be recognised as intangible assets to the extent that the Group receives a right (a licence) to charge users of the public service and the recognized intangible assets would be amortised over the operating periods of the Group's toll roads. Management is currently assessing the impact of HK (IFRIC)-Int 12 on the Group's accounts;
- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HK (IFRIC)-Int 12 from 1 January 2009. Management is currently assessing the impact of HK (IFRIC)-Int 12 on the Group's accounts;
- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009, but management does not expect the standard has significant impact to the Group's account; and
- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

**(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations**

- HK(IFRIC) - Int 11, 'HKFRS 2 – Group and treasury share transactions', which is effective for accounting periods beginning on or after 1 March 2007. HK(IFRIC) - Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. The Group will apply HK(IFRIC) - Int 11 from 1 January 2008, but management do not expect the interpretation to be relevant to the Group;
- HK(IFRIC) - Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) - Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) - Int 14 from 1 January 2008, but management do not expect the interpretation to be relevant to the Group; and
- HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programs.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

#### (a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

### 2 Summary of significant accounting policies (continued)

#### 2.2 Consolidation (continued)

##### (b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

##### (c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the Group's financial statements are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

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



# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.3 Segment reporting

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

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of toll roads is calculated to write off their cost on a units-of-usage basis whereby depreciation is provided based on the share of traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is granted the rights to operate those roads.

Depreciation of property, plant and equipment other than toll roads is calculated using the straight-line method to allocate cost over their estimated useful lives, after taking into account an estimated residual value of 3% of cost, as follows:

Buildings	30 years
Safety, communication and signalling equipment	10 years
Toll station and ancillary equipment	7 years
Motor vehicles	9 years
Other machinery and equipment	6-9 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Construction in progress represents property, plant and equipment under construction and is stated at cost less accumulated impairment losses. Construction in progress is not depreciated until such time when the assets are completed and ready for their intended use.

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 2 Summary of significant accounting policies (continued)

#### 2.6 Investment property

Investment properties, principally comprising buildings, are held for long-term rental yields and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. The initial costs of investment properties comprise the purchase price or any directly attributable costs of bringing the assets to working condition and location for its intended use.

Depreciation is calculated using the straight-line method to write off the cost of each investment property over its expected useful life with an estimated residual value of 3% of cost, as follows:

Investment property	30 years
---------------------	----------

Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.9).

Repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of investment properties when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

#### 2.7 Intangible assets – acquired computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

#### 2.8 Land use rights

All land in PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease period using the straight-line method.

## 2 Summary of significant accounting policies (continued)

### 2.9 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable, held-to maturity investments and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### (b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.12).

#### (c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets. During the years presented, the Group did not hold any investments in this category.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial assets (continued)

#### (d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains - net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.10 Financial assets (continued)

#### (d) Available-for-sale financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.12.

### 2.11 Inventories

Inventories comprise materials and spare parts for the repair and maintenance of toll roads. The inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### 2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

## Notes to the consolidated financial statements

*For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)*

### **2 Summary of significant accounting policies (continued)**

#### **2.13 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **2.14 Share capital**

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

#### **2.15 Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2 Summary of significant accounting policies (continued)

#### 2.17 Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### 2.18 Government grants

Government grants are not recognized until there is reasonable assurance that the receiver will comply with the conditions attached to them, if any, and that the grants will be received.

Governments grants related to assets are presented in the balance sheet by setting up the grant as deferred income. The deferred income is amortised over the estimate useful lives of related assets.

#### 2.19 Employee benefits

The Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

Additional compensations for employee retirement are recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms. Details of the Group's retirement benefits are set out in Note 24.



# Notes to the consolidated financial statements

For the year ended 31 December 2007  
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## 2 Summary of significant accounting policies (continued)

### 2.20 Contingent liability and Provisions

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognised in financial statement, but to be disclosed by the Group, unless the possibility of an outflow of resources embodying economic benefits is remote.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.21 Revenue recognition

(a) **Toll income**

Toll income, net of related business tax, is recognised on a receipt basis.

(b) **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

## 2 Summary of significant accounting policies (continued)

### 2.21 Revenue recognition (continued)

#### (d) *Service income*

Service income is recognised when the service has been rendered.

#### (e) *Rental income*

Operating lease rental income is recognised on a straight-line basis.

### 2.22 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### 2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.24 Enterprise Safety Fund

According to the regulations of the PRC, the Group is required to accrue 1% of its toll income as Enterprise Safety Fund from 1st January 2004 onwards unless the accrued balance exceeds 2% of toll income of prior year. The fund can only be used for improvements of the safety of its toll roads. Accruals to the fund are treated as an appropriation to reserves, which will be reversed to retained earnings upon utilization.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and expiration of the toll roads operation period granted), credit risk, liquidity risk and cash flow and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (a) Market risk

##### (i) Foreign exchange risk

The Group principally operates in PRC and RMB is the currency of the primary economic environment in which the Group operates. Thus, the Group is not exposed to material foreign exchange risks.

##### (ii) Price risk

The Group is not exposed to material commodity price risk.

##### (iii) Expiration of the toll roads operation periods granted

According to relevant regulations, the Group is obliged to transfer the rights to operate the toll roads back to the government when the operation periods expire.

The operating periods of the Group's toll roads are shown as follows:

<b>Toll road</b>	<b>Length</b> (in kilometres)	<b>Operation periods granted</b>
Hening Expressway	134	From 16 August 1996 to 15 August 2026
National Trunk 205 Tianchang Section	30	From 1 January 1997 to 31 December 2026
Xuanguang Expressway	67	From 1 January 1999 to 31 December 2028
Gaojie Expressway	110	From 1 October 1999 to 30 September 2029
Lianhuo Expressway Anhui Section	54	From 1 January 2003 to 30 June 2032
Xuanguang Expressway Nanhuan Section	17	From 1 September 2003 to 31 December 2028
Ninghuai Expressway Tianchang Section	14	Provisionally set as three years from 18 December 2006, the official operation period has not been granted by government yet

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk

Most of the Group's revenues are cash sales and credit risk mainly arises from deposits with banks.

For banks, only banks with a rating above "B" issued by independent counterparties are accepted. The management considers the credit risk on bank balance is limited because these banks have high credit ratings and could be supported by China government.

##### (c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate bank facilities disclosed in Note 20.

##### (d) Cash flow and fair value interest rate risk

Except for the interest bearing assets and liabilities disclosed in Notes 16 and 20, the Group has no other significant interest-bearing assets and interest-bearing liabilities, the Group's income, expenses and operating cash flows are substantially independent of changes in market interest rate.

#### 3.2 Capital risk management

The primary objective of the Group's capital management is to safeguard each entity within the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or control the capital expenditures to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios at 31 December 2006 and 2007 were as follows:

	31 December 2007	31 December 2006
Borrowing (Note 20)	1,390,000	1,261,000
Total assets	8,367,647	7,711,396
Gearing ratio	16.61%	16.35%

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 3 Financial risk management (continued)

#### 3.3 Fair value estimation

All financial instruments of the Group are not traded in an active market. The fair value of financial instruments is determined by using valuation techniques if applicable. The Group makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted cash flows are used to determine fair value for the financial instruments.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (a) Estimation of useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and residual value for its property, plant and equipment. For property, plant and equipment other than toll roads, the estimate is based on the historical experience of the actual useful lives and residual value of these property, plant and equipment of similar nature and functions.

Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

The toll road operation rights of Ninghuai expressway had been provisionally set as 3 years after the toll road was put into use, the official operation period has not been granted by government yet. Management estimates the operating period granted by government for Ninghuai expressway Nanhuan Section will be 25 years based on the historical experience.

## Notes to the consolidated financial statements

*For the year ended 31 December 2007  
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### 4 Critical accounting estimates and judgements (continued)

#### (b) Estimation of traffic volume during the operating periods of toll roads

For toll roads, depreciation is provided based on the share of traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is granted the rights to operate those roads.

It is the Group's policy to review regularly the projected total traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

### 5 Segment information

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

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 6 Land use rights

The Group and the Company's interests in land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

#### Group

	<b>31 December 2007</b>	31 December 2006
Cost	<b>765,606</b>	743,238
Accumulated amortisation	<b>(191,225)</b>	(167,971)
Net book amount	<b>574,381</b>	575,267
	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
Opening net book amount	<b>575,267</b>	476,950
Additions	<b>22,368</b>	119,736
Amortisation charges (Note 27)	<b>(23,254)</b>	(21,419)
Closing net book amount	<b>574,381</b>	575,267

#### Company

	<b>31 December 2007</b>	31 December 2006
Cost	<b>604,785</b>	584,235
Accumulated amortisation	<b>(149,949)</b>	(132,395)
Net book amount	<b>454,836</b>	451,840
	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
Opening net book amount	<b>451,840</b>	268,610
Additions	<b>20,550</b>	119,736
Transfer-in in respect of Anhui Gao Jie Expressway Company Limited. ("Gao Jie", Note 10(b))	<b>—</b>	78,071
Amortisation charges	<b>(17,554)</b>	(14,577)
Closing net book amount	<b>454,836</b>	451,840

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 6 Land use rights (continued)

All of the Group's land use rights are located in Anhui Province, the PRC and are held on lease terms of 29-30 years from the dates of acquisition, and expiring in 2026 to 2036.

As at 31 December 2007, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway and one toll station in Guangde with a total carrying amount of RMB138,068,000 have not yet been obtained.

### 7 Property, plant and equipment

#### Group

	Toll road	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
<b>At 1 January 2006</b>								
Cost	5,860,320	351,948	606,471	98,272	52,342	52,343	335,041	7,356,737
Accumulated Depreciation	(594,565)	(43,284)	(302,696)	(43,488)	(25,215)	(24,708)	—	(1,033,956)
Net book value	<u>5,265,755</u>	<u>308,664</u>	<u>303,775</u>	<u>54,784</u>	<u>27,127</u>	<u>27,635</u>	<u>335,041</u>	<u>6,322,781</u>
<b>Year ended 31 December 2006</b>								
Opening net book amount	5,265,755	308,664	303,775	54,784	27,127	27,635	335,041	6,322,781
Additions	—	3,558	7,934	150	10,498	573	587,655	610,368
Disposals	—	(34)	—	—	(93)	(2)	—	(129)
Transfers	710,536	30,319	10,100	70,615	3,842	11,009	(836,421)	—
Depreciation (Note 27)	(147,860)	(14,151)	(47,040)	(20,099)	(5,603)	(9,449)	—	(244,202)
Closing net book amount	<u>5,828,431</u>	<u>328,356</u>	<u>274,769</u>	<u>105,450</u>	<u>35,771</u>	<u>29,766</u>	<u>86,275</u>	<u>6,688,818</u>
<b>At 31 December 2006</b>								
Cost	6,570,072	383,957	620,108	171,505	67,460	66,765	86,275	7,966,142
Accumulated Depreciation	(741,641)	(55,601)	(345,339)	(66,055)	(31,689)	(36,999)	—	(1,277,324)
Net book value	<u>5,828,431</u>	<u>328,356</u>	<u>274,769</u>	<u>105,450</u>	<u>35,771</u>	<u>29,766</u>	<u>86,275</u>	<u>6,688,818</u>
<b>Year ended 31 December 2007</b>								
Opening net book amount	5,828,431	328,356	274,769	105,450	35,771	29,766	86,275	6,688,818
Additions	144	4,379	1,877	1,679	1,889	3,370	877,661	890,999
Disposals	—	(14,493)	(346)	(106)	(236)	(106)	—	(15,287)
Transfers	120,321	19,940	5,070	(18,775)	—	(3,549)	(123,007)	—
Transfer out to investment property (Note 8)	—	(23,671)	—	—	—	—	—	(23,671)
Depreciation (Note 27)	(139,627)	(10,994)	(45,744)	(15,357)	(6,863)	(6,295)	—	(224,880)
Closing net book amount	<u>5,809,269</u>	<u>303,517</u>	<u>235,626</u>	<u>72,891</u>	<u>30,561</u>	<u>23,186</u>	<u>840,929</u>	<u>7,315,979</u>
<b>At 31 December 2007</b>								
Cost	6,691,382	366,054	585,582	148,944	65,192	70,245	840,929	8,768,328
Accumulated Depreciation	(882,113)	(62,537)	(349,956)	(76,053)	(34,631)	(47,059)	—	(1,452,349)
Net book value	<u>5,809,269</u>	<u>303,517</u>	<u>235,626</u>	<u>72,891</u>	<u>30,561</u>	<u>23,186</u>	<u>840,929</u>	<u>7,315,979</u>



# Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

## 7 Property, plant and equipment (continued)

	Toll road	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
<b>At 1 January 2006</b>								
Cost	3,419,823	235,859	372,927	79,463	37,332	44,210	328,494	4,518,108
Accumulated Depreciation	(336,867)	(23,010)	(178,842)	(35,462)	(19,151)	(17,910)	—	(611,242)
Net book value	<u>3,082,956</u>	<u>212,849</u>	<u>194,085</u>	<u>44,001</u>	<u>18,181</u>	<u>26,300</u>	<u>328,494</u>	<u>3,906,866</u>
<b>Year ended 31 December 2006</b>								
Opening net book amount	3,082,956	212,849	194,085	44,001	18,181	26,300	328,494	3,906,866
Additions	—	3,529	6,993	—	8,890	548	244,341	264,301
Disposals	—	—	—	—	(94)	—	—	(94)
Transfers	368,122	30,321	10,101	70,615	3,842	11,008	(494,009)	—
Transfer-in in respect of Gao Jie (Note 10(b))	1,821,811	129,022	144,741	10,797	6,532	8,217	6,900	2,128,053
Depreciation	(120,816)	(14,154)	(44,813)	(19,119)	(4,764)	(9,736)	—	(213,402)
Closing net book amount	<u>5,152,073</u>	<u>361,567</u>	<u>311,140</u>	<u>106,294</u>	<u>32,587</u>	<u>36,337</u>	<u>85,726</u>	<u>6,085,724</u>
<b>At 31 December 2006</b>								
Cost	5,777,755	417,375	651,487	169,468	60,998	76,308	85,726	7,239,117
Accumulated Depreciation	(625,682)	(55,808)	(340,347)	(63,174)	(28,411)	(39,971)	—	(1,153,393)
Net book value	<u>5,152,073</u>	<u>361,567</u>	<u>311,140</u>	<u>106,294</u>	<u>32,587</u>	<u>36,337</u>	<u>85,726</u>	<u>6,085,724</u>
<b>Year ended 31 December 2007</b>								
Opening net book amount	5,152,073	361,567	311,140	106,294	32,587	36,337	85,726	6,085,724
Additions	—	4,215	678	302	1,889	3,235	752,951	763,270
Disposals	—	(14,487)	(346)	(106)	(205)	(57)	—	(15,201)
Transfers	17,102	19,940	5,070	(18,775)	—	(3,549)	(19,788)	—
Transfer out to investment property (Note 8)	—	(23,671)	—	—	—	—	—	(23,671)
Depreciation	(122,828)	(12,063)	(49,114)	(15,396)	(6,330)	(6,864)	—	(212,595)
Closing net book amount	<u>5,046,347</u>	<u>335,501</u>	<u>267,428</u>	<u>72,319</u>	<u>27,941</u>	<u>29,102</u>	<u>818,889</u>	<u>6,597,527</u>
<b>At 31 December 2007</b>								
Cost	5,796,157	398,983	620,790	145,531	60,133	74,068	818,889	7,914,551
Accumulated Depreciation	(749,810)	(63,482)	(353,362)	(73,212)	(32,192)	(44,966)	—	(1,317,024)
Net book value	<u>5,046,347</u>	<u>335,501</u>	<u>267,428</u>	<u>72,319</u>	<u>27,941</u>	<u>29,102</u>	<u>818,889</u>	<u>6,597,527</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
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### 8 Other reserves

#### Investment property

##### Group and Company

	<b>Buildings</b>
<b>At 1 January 2007</b>	
Cost	—
Accumulated amortisation	—
Net book amount	—
<b>Year ended 31 December 2007</b>	
Opening net book amount	—
Transferred in from property, plant and equipment (Note 7)	<b>23,671</b>
Amortisation expenses (Note 27)	<b>(830)</b>
Net book amount	<b>22,841</b>
<b>At 31 December 2007</b>	
Cost	<b>25,676</b>
Accumulated amortisation	<b>(2,835)</b>
Net book amount	<b>22,841</b>

Buildings are recognized as investment property after leasing out under operating leases.

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 9 Intangible assets

#### Group

	<b>Computer Software</b>
<b>At 1 January 2006</b>	
Cost	4,749
Accumulated amortisation	(1,197)
Net book amount	<u>3,552</u>
<b>Year ended 31 December 2006</b>	
Opening net book amount	3,552
Additions	954
Amortisation expenses (Note 27)	(518)
Net book amount	<u>3,988</u>
<b>At 31 December 2006</b>	
Cost	5,703
Accumulated amortisation	(1,715)
Net book amount	<u>3,988</u>
<b>Year ended 31 December 2007</b>	
Opening net book amount	3,988
Amortisation expenses (Note 27)	(503)
Net book amount	<u>3,485</u>
<b>At 31 December 2007</b>	
Cost	5,703
Accumulated amortisation	(2,218)
Net book amount	<u>3,485</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 10 Investments in subsidiaries - Company

	<b>31 December 2007</b>	31 December 2006
Investments, at cost:		
Unlisted shares	<b>68,495</b>	68,495

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paid in, issued and fully paid share capital (RMB'000)	Interest directly held by the Company (%)
Xuan Guang Expressway Company Limited ("Xuan Guang") (a)	PRC, limited liability company	Management and operation of expressway in Anhui province, PRC	111,760	55.47%
Anhui Kangcheng Pharmaceutical Co.,Ltd. ("Kang Cheng")	PRC, limited liability company	Sales and development of pharmaceutical products in Anhui province, PRC	10,000	65.00%

The movement of the investments in subsidiaries of the Company is as follows:

	2007			Total
	Xuan Guang (Note a)	Kang Cheng	Gao Jie	
Balance at 1 January 2007	61,995	6,500	—	68,495
Changes in the year	—	—	—	—
Balance at 31 December 2007	<b>61,995</b>	<b>6,500</b>	—	<b>68,495</b>

	2006			Total
	Xuan Guang (Note a)	Kang Cheng	Gao Jie (Note b)	
Balance at 1 January 2006	61,995	6,500	153,000	221,495
Changes in the year	—	—	(153,000)	(153,000)
Balance at 31 December 2006	<b>61,995</b>	<b>6,500</b>	—	<b>68,495</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 10 Investments in subsidiaries - Company (continued)

#### (a) Investment in Xuan Guang

Xuan Guang is a co-operative joint venture established by the Company and Xuancheng Highway Management Company ("XHMC") in July 1998 with an operating period of 30 years. The Company invested in total RMB366,600,000 in Xuan Guang, in the forms of capital contribution of RMB36,660,000 and long term loan of RMB329,940,000, representing the Company's share of the total investment in Xuan Guang in excess of the Company's share of its registered capital. According to the joint venture contract, annual distribution (the "distribution") equalling net profit plus depreciation and amortisation of its property, plant and equipment are to be made wholly to the Company till the total distribution received by the Company equal to its total investment in Xuan Guang. Thereafter, the distribution will be shared by the Company and XHMC in proportion to their respective contributions to Xuan Gang's registered capital. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation and amortisation portion of the distribution received is accounted for as repayments to the long term loan advanced to Xuan Guang.

Pursuant to a capital injection contract between the Company and XHMC dated 11th August 2003, XHMC contributed Xuanguang Expressway (Nanhuan section) to Xuan Guang at an agreed price of RMB398,800,000 in the form of capital contribution of RMB39,880,000 and long term loan of RMB358,920,000.

Pursuant to a share transfer agreement dated 11 September 2003 subsequently entered into by the Company and XHMC, the Company acquired XHMC's interests in Xuanguang (in the forms of paid-in-capital of RMB25,335,000 and shareholder's loan of RMB228,015,000) at a total consideration of RMB253,350,000. After the acquisition, the Company held 55.47% interest in Xuan Guang. The profit distribution arrangement of Xuan Guang mentioned above remains unchanged.

In 2007, pursuant to a resolution at the Board of Directors' 9th meeting of Xuan Guang, cash repayment amount with respect to depreciation and amortisation portion of the distribution was determined to repay the short term loans of Xuan Guang in priority before settlement of long-term payables to the Company and XHMC since 2007, until the short term loans are fully repaid.

According to the contracts, agreements and board resolution mentioned above, for the year ended 31 December 2007, the net profit portion of the distribution attributable to XHMC amounted to RMB164,845,880 (2006: RMB12,646,549); the depreciation and amortisation portion of the distribution attributable to XHMC amounted to RMB0 (2006: RMB5,948,078).

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 10 Investments in subsidiaries - Company (continued)

#### (b) Investment in Gao Jie

Gao Jie is a co-operative joint venture established by the Company and Anhui Expressway Holding Company ("AEHC") with an operating period of 32 years. The Company invested in total RMB940,440,000 in Gao Jie, in the form of capital contribution of RMB153,000,000 and long term loan of RMB787,440,000, representing the Company's share of the total investment in Gao Jie in excess of the Company's share of its registered capital. According to the joint venture contract, annual distribution (the "distribution") equalling net profit plus depreciation and amortisation of its property, plant and equipment are to be made wholly to the Company till 30 April 2006. Thereafter, the distribution will be shared by the Company and AEHC in proportion to their respective contributions to Gao Jie's registered capital. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation portion of the distribution received is accounted for as repayments to the long term loan advanced to Gao Jie.

On 4 March 2005, the Company entered into an agreement with AEHC to acquire the long term payables to AEHC and AEHC's 49% equity interest in Gao Jie for a total consideration of RMB1,350,000,000 (the "Transaction"). The relevant approval from government authorities was obtained on 29 November 2005.

Pursuant to the agreement, the Company paid the consideration of RMB400,000,000 and RMB950,000,000 to AEHC on 28 December 2005 and 6 January 2006 respectively. Gao Jie was de-registered and merged all of its assets and liabilities to the Company on 16 May 2006, when the Transaction was completed.

Details of the Transaction are as follows:

#### Purchase consideration

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

Such excess of the consideration over the carrying amount of the interests acquired is recognised directly in equity and attributed to the equity holders of the Company (Note 2.2 (b) and 18).

After the acquisition of the long term payables to AEHC, the related deferred tax liability amounted to RMB75,893,665 was charged directly to the profit and loss account (Note 30).

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 11 Loans to a subsidiary - Company

	<b>31 December 2007</b>	31 December 2006
Loans to a subsidiary	<b>172,530</b>	259,467
Less: Loans to a subsidiary expected to be repaid within 12 months	—	(53,000)
	<b><u>172,530</u></b>	<u>206,467</u>

As at 31 December 2007 and 2006, loans to a subsidiary represent the Company's share of the total investment in Xuan Guang in excess of the Company's share of its registered capital (Note 10(a)).

The carrying amounts and fair values of the loans are as follows:

	<b>Carrying Amounts</b>		<b>Fair Value</b>	
	<b>31 December 2007</b>	31 December 2006	<b>31 December 2007</b>	31 December 2006
Loans to a subsidiary				
- Xuan Guang	<b><u>172,530</u></b>	<u>259,467</u>	<b><u>148,854</u></b>	<u>251,492</u>

The above loans are unsecured, and the repayment terms are set out in Note 10(a).

The fair values of the loans are based on cash flows discounted using 7.83%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2007 (31 December 2006: 6.84%).

### 12 Investments in associates

#### Group

	<b>31 December 2007</b>	31 December 2006
Beginning of the year	<b>6,455</b>	5,733
Share of associates' results		
- profit before income tax	<b>1,712</b>	546
- income tax	<b>(608)</b>	(180)
Other equity movements	—	356
Dispose of an associate (a)	<b>(150)</b>	—
End of the year	<b><u>7,409</u></b>	<u>6,455</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
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### 12 Investments in associates (continued)

- (a) The Group transferred all its 20% equity interest in Anhui Highway Real Estate Co., Ltd. to AEHC in 2007 with a consideration of RMB4,633,314, the fair value which was valued by an independent certified valuer. The transaction has been approved by government and the disposal gain of RMB4,483,998 was recorded as other gains (Note 26).

The Group's interest in its principal associates, all of which are unlisted, were as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenue	Net Profit	% of Interest held
<b>2007</b>							
Anhui Expressway Advertisement Co., Ltd.	Equity capital	PRC	16,914	9,505	6,071	1,104	38%
<b>2006</b>							
Anhui Highway Real Estate Co., Ltd.	Equity capital	PRC	9,857	9,707	2,621	102	20%
Anhui Expressway Advertisement Co., Ltd.	Equity capital	PRC	9,684	3,379	4,956	264	38%
			19,541	13,086	7,577	366	

#### Company

	31 December 2007	31 December 2006
Unlisted equity, at cost	1,443	1,593



## Notes to the consolidated financial statements

For the year ended 31 December 2006  
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### 13 Available-for-sale financial assets

#### Group and Company

	<b>31 December 2007</b>	31 December 2006
Unlisted equity securities, at cost	<b>18,000</b>	18,000

There were no disposals or impairment provisions on available-for-sale financial assets in the year ended 31 December 2007 and 2006.

The unlisted equity securities represent the Company's 18% equity interest in an unlisted 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 cannot be measured reliably.

### 14 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
Prepayments	<b>192</b>	4,102	<b>192</b>	4,102
Others (a)	<b>15,199</b>	11,440	<b>14,767</b>	9,017
	<b>15,391</b>	15,542	<b>14,959</b>	13,119
Less: Provision for impairment in value	—	—	—	—
	<b>15,391</b>	15,542	<b>14,959</b>	13,119

(a) As at 31 December 2007, others mainly include receivable from the toll settlement centre of Anhui Province of RMB9,539,824 for toll road management and maintenance.

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 15 Inventories

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
Materials for toll road maintenance	<u>2,983</u>	<u>2,873</u>	<u>2,983</u>	<u>2,873</u>

### 16 Cash and cash equivalents

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
Cash at bank and in hand	<u>407,178</u>	<u>400,453</u>	<u>376,468</u>	<u>345,738</u>

The weighted average effective interest rate per annum on cash at bank was approximately 0.72% (2006: 1.08%).

The carrying amounts of cash at bank and in hand are denominated in the following currencies:

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
RMB	<u>387,224</u>	<u>378,219</u>	<u>356,514</u>	<u>323,504</u>
HKD	<u>19,954</u>	<u>22,234</u>	<u>19,954</u>	<u>22,234</u>
	<u>407,178</u>	<u>400,453</u>	<u>376,468</u>	<u>345,738</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
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### 17 Ordinary share capital and share premium

	Number of shares (thousands)	Ordinary share capital	Share Premium	Total
At 1 January 2006 and 2007	1,658,610	1,658,610	1,447,459	3,106,069
Changes in the year	—	—	(31,866)	(31,866)
At 31 December 2006 and 2007	<u>1,658,610</u>	<u>1,658,610</u>	<u>1,415,593</u>	<u>3,074,203</u>

The total authorized number of ordinary shares is 1,658,610,000 shares with a par value of RMB1 per share. All issued shares are fully paid.

As described in Note 30, the corporate tax income tax ("CIT") rate applicable to the Company will change to 25% from 1 January 2008 onwards. The deferred tax liability arose from the appraisal of certain expressway at the time of listing of the Company was dealt with in the share premium. The increment as a result of the restatement of this deferred tax liability at the new tax rate (Note 23) is also dealt with in the share premium.

#### Share reform plan

Pursuant to the Revised Share Reform Plan announced by the Company on 14 February 2006, AEHC and Huajian Transportation Economic Development Centre, both of whom are shareholders of the Company, proposed to offer, free of consideration, the holders of A Shares on the basis of 2 shares and RMB4.35 for every 10 A Shares held by these shareholders on 30 March 2006. The original non-circulating A shares held by AEHC and Huajian Transportation Economic Development Centre would be granted the status of listing after implementation of the Revised Share Reform Plan. The proposal has been approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province (Wan Guo Zi Chan Quan Han [2006] No.50), Ministry of Commerce of the PRC (Shang Zi Pi [2006] No.844) and has been approved at the relevant shareholders' meeting held on 27 February 2006.

Pursuant to the Revised Share Reform Plan, 165,861,000 non-circulating A shares equally held by AEHC and Huajian Transportation Economic Development Centre were transferred to circulating A shares on 3 April 2007.

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
(All amounts in Renminbi thousands unless otherwise stated)

### 18 Other reserves

#### Group

	Capital Surplus	Statutory Surplus Reserve Fund	Statutory Public Welfare Fund	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Excess of the considerati on over carrying amount of the minority interests acquired	Total
<b>Balance at 1 January 2006</b>	2,454	308,767	272,841	658	25,284	—	610,004
Acquisition of the minority interests of a of a subsidiary (Note 10(b))	—	—	—	—	—	(699,147)	(699,147)
Transfers (Note (a))	—	272,841	(272,841)	—	—	—	—
Reversal of statutory surplus reserve fund (Note (b))	—	(54,284)	—	—	—	—	(54,284)
Profit appropriations	—	86,413	—	—	16,163	—	102,576
Utilization of							
Enterprise Safety Fund	—	—	—	—	(627)	—	(627)
Other deductions	(211)	—	—	—	—	—	(211)
<b>Balance at 31 December 2006</b>	<b>2,243</b>	<b>613,737</b>	<b>—</b>	<b>658</b>	<b>40,820</b>	<b>(699,147)</b>	<b>(41,689)</b>
Profit appropriations	—	47,153	—	—	—	—	47,153
Utilization of							
Enterprise Safety Fund	—	—	—	—	(2,079)	—	(2,079)
<b>Balance at 31 December 2007</b>	<b>2,243</b>	<b>660,890</b>	<b>—</b>	<b>658</b>	<b>38,741</b>	<b>(699,147)</b>	<b>3,385</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2006  
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### 18 Other reserves (continued)

#### Company

	Statutory Surplus Reserve Fund	Statutory Public Welfare Fund	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Total
<b>Balance at 1 January 2006</b>	241,347	240,303	658	14,412	496,720
Transfers (Note a)	240,303	(240,303)	—	—	—
Transfer from Gao Jie (Note 10(b))	—	—	—	5,862	5,862
Profit appropriations	74,930	—	—	13,430	88,360
Utilization of Enterprise Safety Fund	—	—	—	(363)	(363)
<b>Balance at 31 December 2006</b>	556,580	—	658	33,341	590,579
Profit appropriations	—	47,153	—	—	47,153
Utilization of Enterprise Safety Fund	—	—	—	(362)	(362)
<b>Balance at 31 December 2007</b>	<b>556,580</b>	<b>47,153</b>	<b>658</b>	<b>32,979</b>	<b>637,370</b>

- (a) Pursuant to the relevant regulations issued by the Ministry of Finance of the PRC on 15 March 2006, 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 (Note 10 (b)). Accordingly, its Statutory Surplus Reserve Fund balance of approximately RMB54,284,000 was transferred to retained earnings of the Company.

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 19 Trade and other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
Payables on purchase of property, plant and equipment	<b>363,598</b>	267,893	<b>271,736</b>	186,126
Payables on repair and maintenance projects	<b>37,095</b>	46,050	<b>37,095</b>	40,901
Other taxation payables	<b>19,536</b>	33,337	<b>16,999</b>	31,383
Long-term payables to minority shareholders of subsidiaries expected to be repaid within 12 months (Note 10, 22)	—	6,000	—	—
Accrued expenses	<b>9,059</b>	5,704	<b>9,059</b>	5,653
Welfare payables	—	3,490	—	2,830
Other payables	<b>145,579</b>	134,848	<b>129,003</b>	122,344
	<b>574,867</b>	497,322	<b>463,892</b>	389,237

At 31 December 2007, all the trade and other payables were aged within one year.

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 20 Borrowings

#### Group

	31 December 2007		31 December 2006	
	Interest rate per annum		Interest rate per annum	
Unsecured short-term bank borrowings denominated in RMB	5.17%	1,390,000	5.02%	1,261,000

#### Company

	31 December 2007		31 December 2006	
	Interest rate per annum		Interest rate per annum	
Unsecured short-term bank borrowings denominated in RMB	5.17%	1,150,000	5.02%	1,076,000

At 31 December 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:

	31 December 2007	31 December 2006
Floating rate and expiring within one year	1,120,000	1,299,000

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 21 Deferred income

#### Group and Company

	<b>31 December 2007</b>	31 December 2006
Government grants for Ninghuai expressway	<b>48,000</b>	—

Deferred income represents government grants in respect of the construction of Ninghuai expressway and is amortised over 25 years (Note 2.18).

### 22 Long-term payables - Group

	<b>31 December 2007</b>	31 December 2006
Long-term payables to a minority shareholder of a subsidiary	<b>235,070</b>	281,770

As at 31 December 2007 and 2006, long-term payables represented payables to XHMC, the minority shareholder of Xuan Guang, representing XHMC's share of total investment in Xuan Guang in excess of XHMC's equity contribution in Xuan Guang. Details of repayment terms of such long-term payables are set out in Note 10 (a).

The carrying amounts and fair values of long-term payables are as follows:

	<b>Carrying Amounts</b>		<b>Fair Value</b>	
	<b>31 December 2007</b>	31 December 2006	<b>31 December 2007</b>	31 December 2006
Long-term payables to XHMC (Note 38)	<b>235,070</b>	281,770	<b>195,487</b>	272,204

The fair values of long-term payables are based on cash flows discounted using 7.83%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2007 (31 December 2006: 6.84%).



## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 23 Deferred tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group As at 31 December		Company As at 31 December	
	2007	2006	2007	2006
Deferred tax liabilities:				
- Deferred tax to be settled after more than 12 months	<b>280,843</b>	202,456	<b>170,737</b>	112,055
- Deferred tax to be settled within 12 months	<b>(6,536)</b>	(1,933)	<b>(4,857)</b>	(5,438)
	<b>274,307</b>	200,523	<b>165,880</b>	106,617

The movement on the Group's deferred income tax liabilities is as follows:

	Valuation of assets and depreciation toll roads	Valuation and amortisation of toll roads related land use rights	Accounting Enterprise Safety Fund	Accounting for Interest free loan	Accounting for Government grants	Others	Total
Balance at 1 January 2006	167,363	4,261	5,750	139,208	—	—	316,582
Deferred taxation charged to income statement (Note 30)	(15,784)	(210)	(5,750)	(86,360)	—	(7,955)	(116,059)
Balance at 31 December 2006	151,579	4,051	—	52,848	—	(7,955)	200,523
Deferred taxation charged to income statement (Note 30)	61,965	2,355	865	363	(15,840)	(7,790)	41,918
Deferred taxation charged to equity (Note 17)	31,866	—	—	—	—	—	31,866
Balance at 31 December 2007	<b>245,410</b>	<b>6,406</b>	<b>865</b>	<b>53,21</b>	<b>(15,840)</b>	<b>(15,745)</b>	<b>274,307</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 24 Retirement benefit obligations - Group

The Group participates in the Anhui Provincial Retirement Scheme managed by Anhui Social Security Bureau ("the Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to the 20%-23% (2006: 20%-23%) of the basic monthly salary, subject to certain ceiling, in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

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. As at 31 December 2007, the retired employees of the Group were 20.

### 25 Revenue - Group

	Year ended 31 December	
	2007	2006
Toll income	1,651,216	1,617,898
Rental income	14,019	14,043
Service income from management of toll roads	9,086	13,933
Service income from roads emergency assistance	7,382	7,820
Other	7,176	1,875
	<b>1,688,879</b>	1,655,569
Tax related to revenues (Note a)	<b>(54,691)</b>	(50,678)
	<b>1,634,188</b>	1,604,891

(a) Tax related to revenue

The Group is subject to Business Tax ("BT") at the rate of 3% for toll income and of 5% for others respectively.

In addition to BT, the Group is subject to the following supplemental turnover taxes:

- (i) City Development Tax - levied at 5%-7% of BT.
- (ii) Education Supplementary Tax - levied at 3% of BT.

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 26 Other (losses) / gains - net - Group

	Year ended 31 December	
	2007	2006
Dividend income from an unlisted company (Note 13 and 35)	900	1,080
Gain on disposal of investments in an associate (Note 12 and 35)	4,484	—
Interest income (Note 35)	3,564	2,717
(Loss) / gain from disposal on property, plant and equipment (Note 35)	(15,009)	227
Others	5,618	999
	<u>(443)</u>	<u>5,023</u>

### 27 Expenses by nature - Group

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

	Year ended 31 December	
	2007	2006
Depreciation and amortisation expenses (Note 6,7,8,9)	249,467	266,139
Repair and maintenance expenses	95,966	114,477
Employee benefit expenses (Note 28)	86,426	92,287
Auditor's remuneration	1,650	1,600
Others	11,453	6,923
	<u>444,962</u>	<u>481,426</u>

For year ended 31 December 2007 and 2006, the depreciation and amortisation expenses and repair and maintenance expenses were recorded in cost of sales.

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 28 Employee benefit expenses - Group

	Year ended 31 December	
	2007	2006
Salaries and wages	64,017	69,919
Retirement benefits	6,779	10,184
Other welfares	15,630	12,184
	<u>86,426</u>	<u>92,287</u>

As at 31 December 2007, the number of employees were 1,873 (31 December 2006: 1,803).

#### (a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salaries	Other benefits	Contribution to pension scheme	Total
<b>Executive Directors</b>					
Mr. Wang Shui	—	650	—	10	660
Mr. Li Yungui	—	390	—	10	400
Mr. Tu Xiaobei	—	390	—	10	400
Mr. Zhang Hui	—	90	—	—	90
<b>Non Executive Directors</b>					
Mr. Zhang Wenshen	60	—	—	—	60
Mr. Li Zhanglin	60	—	—	—	60
<b>Independent Directors</b>					
Mr. Liang Mingjie	100	—	—	—	100
Ms Li Mei	60	—	—	—	60
Ms Guo Shan	60	—	—	—	60
	<u>340</u>	<u>1,520</u>	<u>—</u>	<u>30</u>	<u>1,890</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 28 Employee benefit expenses - Group (continued)

#### (a) Directors' and senior management's emoluments (continued)

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salaries	Other benefits	Contribution to pension scheme	Total
<b>Executive Directors</b>					
Mr. Wang Shui	—	650	—	39	689
Mr. Li Yungui	—	390	—	39	429
Mr. Tu Xiaobei	—	390	—	39	429
Mr. Zhang Hui	—	390	—	39	429
<b>Non Executive Directors</b>					
Mr. Zhang Wenshen	60	—	—	—	60
Mr. Li Zhanglin	60	—	—	—	60
<b>Independent Directors</b>					
Mr. Liang Mingjie	100	—	—	—	100
Ms Li Mei	60	—	—	—	60
Ms Guo Shan	60	—	—	—	60
	340	1,820	—	156	2,316
	340	1,820	—	156	2,316

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years include four directors, whose emoluments are reflected in the analysis presented above, and an employee whose emoluments amounted to RMB390,000 (2006: 390,000).

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 29 Finance costs - Group

	Year ended 31 December	
	2007	2006
Interest expense on:		
- bank borrowings	54,534	56,844
- long-term payables (Note 22, a)	(52,700)	36,967
	<u>1,834</u>	<u>93,811</u>

- (a) As set out in Note 22, long-term payables to a minority shareholder was recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. There is a presumption that the settlement period and annual cash repayment amount can be estimated. Before 2007, management estimates settlement period and annual cash repayment amount based on the joint venture contract signed between the Company and XHMC originally (Note 10 (a)). In 2007, pursuant to a resolution at the Board of Directors' 9th meeting of Xuan Guang, cash repayment amount with respect to depreciation and amortisation portion of the distribution was determined to repay the short term loans of Xuan Guang in priority before settlement of long-term payables to the Company and XHMC since 2007, until the short term loans are fully repaid. Thus, the settlement period for the long-term payables to XHMC was to be extended by about 5 years. The discounted present value of the cash flows under the revised extended settlement period using the original effective interest rate was more than 10% different from the discounted present value of the remaining cash flows of the original long-term payables. Consequently, the Group accounted for this as an extinguishment of the original financial liability and the recognition of a new financial liability according to HKAS 39. The difference between carrying amount of the original and new financial liability are recognised in the income statement as finance costs.

### 30 Taxation - Group

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December	
	2007	2006
Current taxation- EIT	360,785	207,188
Provision of 2006 income tax due to EIT ratio change notified by local tax authority (b)	149,550	—
Deferred taxation (Note 23)	41,918	(116,059)
	<u>552,253</u>	<u>91,129</u>

#### (a) Hong Kong profits tax

There was no Hong Kong profits tax liabilities as the Group has no assessable income which is subject to Hong Kong profits tax.

## Notes to the consolidated financial statements

*For the year ended 31 December 2007  
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### 30 Taxation – Group (continued)

#### (b) PRC Enterprise Income Tax

The Company was established in Anhui Hefei National New & High Technology Industrial Development Zone and was ratified as a new and high technology enterprise by Anhui Ministry of Science (identification number: 0034010A0279). The Company used a preferential enterprise income tax (“EIT”) rate of 15% before 2006 in annual tax filing process, according to PRC tax regulations (Caishui [1994] No.001) and the tax authority approved the Company’s annual tax filing for the years before 2006. During 2006 tax clearance in April 2007, local tax authority notified the Company that the existing EIT rate of 15% in declaring EIT is not appropriate and should be adjusted to 33%, hence additional RMB149,549,739 EIT was levied for the year ended 31 December 2006 and was recorded in the income tax expenses in 2007.

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

Effective from 1 January 2008, the Company and its subsidiaries, associated companies shall determine and pay the CIT in accordance with the new CIT Law as approved by the National People’s Congress on 16 March 2007. Under the new CIT Law, the CIT rate applicable to the Company and its subsidiaries, associated companies has changed from 33% to 25% from 1 January 2008 onwards.

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 30 Taxation – Group (continued)

#### (c) Withholding tax (“WHT”) for dividend paid to foreign investors

According to the new CIT law and the detailed implementation regulations, foreign shareholders would be subject to a 10% WHT for the dividend repatriated by the Company starting from January 1, 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. Please also refer to Note 39 for subsequent events with respect to WHT.

#### (d) The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate for companies in PRC as follows:

	Year ended 31 December	
	2007	2006
Profit before income tax	<b>1,188,053</b>	1,035,043
Weighted - average EIT rates	<b>29.17%</b>	18.93%
Tax calculated at the weighted-average tax rate	<b>346,571</b>	195,954
Reversal of deferred tax liability due to the acquisition of long-term payable to AEHC (Note 10(b))	—	(75,894)
Effect of change of tax rate for the calculation of deferred taxation	<b>56,132</b>	(28,931)
Provision of 2006 income tax due to EIT ratio change notified by local tax authority (Note b)	<b>149,550</b>	—
Tax Charge	<b>552,253</b>	91,129



## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 31 Profit attributable to equity holders of the Company

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately RMB479,579,000(2006: RMB1,306,233,000).

### 32 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 year. No diluted earnings per share is presented as the Company has no dilutive potential shares.

	Year ended 31 December	
	2007	2006
Profit attributable to equity holders of the Company	470,955	931,424
Weighted average number of ordinary shares in issue (thousands)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	0.2839	0.5616

### 33 Dividends

The dividends paid during the years ended 31 December 2007 and 2006 were RMB414,652,500 (RMB0.25 per share) and RMB464,410,800 (RMB0.28 per share) respectively. A final dividend in respect of 2007 of RMB0.20 per share, amounting to a total dividend of RMB331,722,000 will be proposed at the Annual General Meeting on 23 May 2008. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2007	2006
Proposed final dividend of RMB0.20 (2006: RMB0.25 ) per ordinary share	331,722	414,653

### 34 Appropriation

#### (a) Statutory Surplus Reserve Fund

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

#### (b) Statutory Public Welfare Fund

Before 31 December 2005, according to the relevant financial regulations of the PRC and the Company's Articles of Association, the Company and its subsidiaries are required to allocate 5% to 10% of their annual statutory net income to a statutory public welfare fund to be used for the collective welfare of the Company and its subsidiaries' employees.

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 was reclassified to Statutory Surplus Reserve Fund as requested by the regulations. (Note 18(a)).

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)

### 35 Notes to consolidated cash flow statement

(a) Reconciliation from profit before income tax to net cash inflow from operating activities:

	Year ended 31 December	
	2007	2006
Profit before income tax	<b>1,188,053</b>	1,035,043
Adjustments for:		
Depreciation of property, plant and equipment	<b>224,880</b>	244,202
Depreciation of investment property	<b>830</b>	—
Amortisation of land use rights	<b>23,254</b>	21,419
Amortisation of intangible assets	<b>503</b>	518
Loss / (gain) on disposal of property, plant and equipment	<b>15,009</b>	(227)
Share of profit of associates	<b>(1,104)</b>	(366)
Gain on disposal of investment in an associate	<b>(4,484)</b>	—
Interest income	<b>(3,564)</b>	(2,717)
Interest expense	<b>1,834</b>	93,811
Dividend income	<b>(900)</b>	(1,080)
Operating profit before working capital changes	<b>1,444,311</b>	1,390,603
Increase in inventories	<b>(110)</b>	(7)
Decrease in prepayments and other receivables	<b>6,151</b>	10,161
Increase / (Decrease) in trade and other payables	<b>32,618</b>	(153)
Cash generated from operating activities	<b>1,482,970</b>	1,400,604

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 35 Notes to consolidated cash flow statement (continued)

(b) Cash paid for acquisition of property, plant and equipment:

	Year ended 31 December	
	2007	2006
Increase in property, plant and equipment	<b>890,999</b>	610,368
Capitalized interest paid	<b>(16,710)</b>	—
Add: Payable on purchase of property, plant and equipment, beginning of year	<b>267,893</b>	249,896
Less: Payable on purchase of property, plant and equipment, end of year	<b>(363,598)</b>	(267,893)
Cash paid for acquisition of property, plant and equipment	<b>778,584</b>	592,371

### 36 Commitments - Group

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

	Year ended 31 December	
	2007	2006
Property, plant and equipment - Approved but not contracted	<b>189,162</b>	1,000,000
Property, plant and equipment - Contracted but not provided for	<b>981,784</b>	830,000

### 37 Contingency

As described in Note 30(b), the Company's income tax expense in 2006 was adjusted by tax authority in the year of 2007.

As of the date of the issuance of the financial statements, the Company's management believes it is not likely that the income tax rate for the years before 2006 will be adjusted and the contingency does not have significant impact to the financial statements as well.

## Notes to the consolidated financial statements

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### 38 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
Anhui Kaiyuan Maintenance Project of highway Co., Ltd. (AKMP)	Subsidiary of AEHC
Anhui Expressway Investment Co., Ltd. (AEIC)	Subsidiary of AEHC
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

Apart from transferring equity interest in an associate to AEHC as disclosed in Note 12(a), and the acquisition of minority interests of a subsidiary from AEHC as disclosed in Note 10(b), the Group had the following significant transactions with related parties:

##### (i) Service income from management of toll roads

	Year ended 31 December	
	2007	2006
AEHC	998	998
ALEC	333	498
	<u>1,331</u>	<u>1,496</u>

##### (ii) Rental income

	Year ended 31 December	
	2007	2006
AEHC	263	—
	<u>263</u>	<u>—</u>

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 38 Related party transactions (continued)

#### (b) Related party transactions (continued)

##### (iii) Service fee paid and payable

	Year ended 31 December	
	2007	2006
BARD	—	836
AKMP	—	14,016
	<u>—</u>	<u>14,852</u>
	<u><u>—</u></u>	<u><u>14,852</u></u>

At beginning of 2007, AEHC has transferred all its equity interest in AKMP to a third party. Thus, AKMP is not considered as a related party of the Group for the year ended 31 December 2007.

##### (iv) Transactions with the State-owned Enterprises

	Year ended 31 December	
	2007	2006
Borrowings from banks	2,746,000	3,326,000
Toll road repair and maintenance cost paid and payable	2,003	11,091
Toll road construction / improvement cost paid and payable	534,454	389,733
	<u>3,282,457</u>	<u>3,726,824</u>
	<u><u>3,282,457</u></u>	<u><u>3,726,824</u></u>

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 38 Related party transactions (continued)

#### (c) Related party balances

##### (i) Trade payables

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
AKMP	—	2,609	—	782
State-owned Enterprises	<b>118,514</b>	123,282	<b>58,348</b>	58,431
	<b>118,514</b>	125,891	<b>58,348</b>	59,213

##### (ii) Other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2007	2006	2007	2006
AEHC	—	1,135	—	1,135
BARD	—	6,659	—	4,122
XHMC	—	6,000	—	—
AKMP	—	102	—	—
State-owned Enterprises	<b>2,430</b>	676	<b>2,430</b>	587
	<b>2,430</b>	14,572	<b>2,430</b>	5,844

## Notes to the consolidated financial statements

For the year ended 31 December 2007  
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### 38 Related party transactions (continued)

#### (c) Related party balances (continued)

##### (iii) Long term payables

	Group As at 31 December		Company As at 31 December	
	2007	2006	2007	2006
XHMC	<u>235,070</u>	<u>287,770</u>	<u>—</u>	<u>—</u>

As at 31 December 2007 and 31 December 2006, amounts due from and due to the related parties as afore mentioned, except for long term payables to XHMC as disclosed in Note 22, 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.

##### (iv) Bank deposits and borrowings with state-owned banks

	Group As at 31 December		Company As at 31 December	
	2007	2006	2007	2006
State-owned banks-bank deposits	<u>272,442</u>	<u>223,178</u>	<u>252,801</u>	<u>184,803</u>
State-owned banks- borrowings	<u>440,000</u>	<u>321,000</u>	<u>250,000</u>	<u>176,000</u>



## Notes to the consolidated financial statements

*For the year ended 31 December 2007  
(All amounts in Renminbi thousands unless otherwise stated)*

### 39 Events after the balance sheet date

#### (i) Investment to a new subsidiary

Pursuant to a resolution of Board of Director's meeting dated 6 March 2008, the Company will set up Anhui Ningxuanhang Expressway Investment Co., Ltd., a new subsidiary, jointly with Xuancheng Communication Construction Co., Ltd. The registered capital of Anhui Ningxuanhang Expressway Investment Co., Ltd. will be RMB100,000,000 and the Company's share of equity interests will be 70%.

#### (ii) WHT

According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where the Company declares dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders shall be exempt from WHT. For dividend which arises from the Company's profit earned after 1 January 2008, WHT will be levied on the foreign shareholders.

## I. Profile of the highways

### Hening Expressway

Hening Expressway is a 134km long dual carriageway four-lane expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang. This expressway forms an integral part of the “Two Verticals and Two Horizontals” National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Trunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.

### The New Tianchang Section of National Trunk 205

The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30km long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.

### Ninghuai Expressway Tianchang Section

Ninghuai Expressway Tianchang Section is an important road section of Ninghuai Expressway, with a whole length of 13.989km, and has the standard of dual carriageway six-lane expressway. It was completed and opened to traffic on 18 December 2006. The road runs through Tianchang city east of Anhui Province, starting from the terminal of the Jiangsu Nanjing Section of Ninghuai Expressway in Tianchang city, and ending at the Jiangsu Huaian Section of the Ninghuai Expressway. It is an important part in the key highway and national “7918” expressway network from Changchun to Shenzhen for the economic development of the eastern Anhui and the whole of northern Jiangsu, at the same time is also an important part in the key backbone in the trunk road network in Anhui Province. It directly or indirectly links various National Trunks of Hulong, Jinghu, Tongshan, Lianhuo, Ninghang and national key planned highway constructions of Jiayin to Nanping, Shanghai to Luoyang.

### Gaojie Expressway

The Gaohe to Jiezidun Expressway, with a length of approximately 110km, is an existing dual carriageway four-lane expressway that forms part of the “Two Verticals and Two Horizontals” National Trunk System between Shanghai to Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through Heife-Anqing Highway and terminates at the border between Hunan and Anhui at Jiezidun, Susong County, Anhui Province. It further runs westward to link up with cities like Wuhan, Chongqing and Chengdu and is an important trunk road that links up the central and western region with the south-eastern coastal region.

### Xuanguang Expressway

The Xuanzhou to Guangde Expressway is an existing dual carriageway four-lane expressway located in the south-eastern part of Anhui Province with total mileage of 84km constructed in two phases. Xuanzhou-guangde section, which is about 67km long, was opened to traffic in September 1997. Xuanzhou south ring road is a 17km long expressway, which links Xuanguang Expressway near Shuangqiao, Xuanzhou, and was opened to traffic in July 2001 and merged into the Company in August 2003. This expressway starts from Xuanzhou in Anhui Province and ends near Jiepai, Guangde in Anhui Province and forms part of the National Trunk 318 extending from Shanghai to Nielamu in Tibet. National Trunk 318 is a key transport artery, linking the coastal regions with the inland and the western boarder of the PRC.

## Lianhuo Expressway Anhui Section

Lianhuo Expressway Anhui Section is a 54km long dual carriage four-lane expressway, part of the “Two Verticals and Two Horizontals” National Trunk between Lianyungang and Huoerguosi in Anhui Province. Connecting with the highways located in Henan and Jiangsu Province and the expressways between Beijing and Fuzhou, it plays an important role in China’s politics, economy, military affairs and National Truck Networks.

## Ningxuanhang Expressway Anhui Section

Ningxuanhang Expressway Anhui Section is a 122km long dual carriage four-lane expressway with asphalt concrete road surface, which starts at the border between Anhui and Jiangsu at Jinshankou, passing through Xuancheng and Ningguo, terminates at the boarder between Anhui and Zhejiang at Qianqiuguan. This expressway forms an important part of the “Four Verticals and Eight Horizontals” of expressway network in Anhui Province, which is the tie communicating Anhui and Zhejiang and linking two big economic regions of Nanjing and Hangzhou. This expressway is planned to construct by three sections, the first is Xuancheng to Ningguo section with total of 44km, the second is Gaochun to Xuancheng section with total of 33km and the third is Ningguo to Qianqiuguan section with total of 45km.

## II. Vehicles classification and toll rates

### Vehicles classification and toll rates for expressways (Ninghuai Expressway Tianchang Section excluded)

Unit: vehicle km

Vehicles type	Classification		Toll rates
	Passenger vehicles	Goods vehicles	
Type 1	7 seats or below (including 7 seats)	2 tons or below (including 2 tons)	RMB0.40
Type 2	Between 8 seats and 19 seats	Between 2 tons and 5 tons (including 5 tons)	RMB0.70
Type 3	Between 20 seats and 39 seats	Between 5 tons and 10 tons (including 10 tons)	RMB1.00
Type 4	40 seats or above (including 40 seats)	Between 10 tons and 15 tons (including 15 tons) 20 foot container	RMB1.20 RMB1.20
Type 5		Above 15 tons 40 foot container	RMB1.40 RMB1.40

### Vehicles Classification and Toll Rates of Ninghuai Expressway Tianchang Section

Vehicles type	Classification		Toll rates (RMB/km)	Minimum toll collection
	Passenger vehicles	Goods vehicles		
Type 1	7 seats or below (including 7 seats)	2 tons or below (including 2 tons)	0.45	15
			0.675	15
Type 2	Between 8 seats and 19 seats	Between 2 tons and 5 tons (including 5 tons)	0.675	15
			0.90	20
Type 3	Between 20 seats and 39 seats	Between 5 tons and 10 tons (including 10 tons)	0.90	20
			1.125	20
Type 4	40 seats or above (including 40 seats)	Between 10 tons and 15 tons (including 15 tons) 20 foot container	0.90	20
			1.35	30
Type 5		Above 15 tons 40 foot container	1.575	30

### Toll rates of New Tianchang Section of National Trunk 205

#### Type of Vehicles

Motor bicycles and tricycles

Small tractors (including manual tractors) and

other four-wheeled small and simple mechanical vehicles

Passenger wagons below 20 seats

Passenger wagons between 20 and 50 seats (including 50 seats)

Passenger wagons over 50 seats

#### Toll Rates

RMB3 per vehicle

RMB5 per vehicle

RMB10 per vehicle

RMB15 per vehicle

RMB25 per vehicle

## III. Toll rates applicable to goods vehicles with reference to their weight

### Toll rates applicable to goods vehicles with reference to their weight (non-overloaded vehicles)

#### 1. Toll rates applicable to goods vehicles with reference to their weight on expressways (Ninghuai Expressway Tianchang Section excluded)

Gross weight of goods vehicle	≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	> 40 tonnes
Basic toll rate	RMB0.08/tonnes for every km	RMB0.08/tonnes for every km and will be linearly reduced to RMB0.043/tonnes for every km	RMB0.043/tonnes for every km

- Notes:
1. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale
  2. If the toll chargeable is less than RMB20, RMB20 shall be charged
  3. The toll charges less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10

#### 2. Toll rates applicable to goods vehicles with reference to their weight of Ninghuai Expressway Tianchang Section

Vehicles type	Gross weight of goods vehicle ≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	Gross weight of goods vehicle > 40 tonnes	
Toll rates applicable to goods vehicles with reference to their weight on expressways:	RMB0.09/tonnes for every km	RMB0.09/tonnes for every km and will be linearly reduced to RMB0.04/tonnes for every km	RMB0.04/tonnes for every km	The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.
1. Basic toll rate RMB0.09/tonnes for every km				
2. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale				
3. If the toll chargeable is less than RMB20, RMB20 shall be charged				

### 3. Toll rates applicable to goods vehicles with reference to their weight of New Tianchang Section of National Trunk 205

Gross weight of goods vehicle	≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle < 40 tonnes	> 40 tonnes
Basic toll rate	RMB1.5/ton vehicle	RMB1.5/ton vehicle and will be linearly reduced to RMB1.1/ton vehicle	RMB1.1/ton vehicle

Notes:

1. If the toll chargeable is less than RMB10, RMB10 shall be charged
2. The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10

### Extra tolls to be imposed on overloaded goods vehicles (Ninghuai Expressway Tianchang Section excluded):

1. Excess is less than 30% (including 30%)	2. Excess is between 30% and 50% (including 50%)	3. Excess is between 50% and 100% (including 100%)	4. Excess is over 100%	If the weight of the vehicle and the cargo is over the loading limit of the total mass and the vehicle's shaft, the higher overloaded rate will be collected.

Toll applicable to normal goods vehicles as per the weight

The first 30% will be subject to a toll applicable to normal goods vehicles as per the weight

The remaining balance will be subject to a toll equivalent to 1.5 times of the basic rate.

The remaining balance will be subject to a toll equivalent to 2 times of the basic rate.

The remaining balance will be subject to a toll equivalent to 3 times of the basic rate.

## Extra tolls to be imposed on overloaded goods vehicles of Ninghuai Expressway Tianchang Section

1. Excess is less than 30% (including 30%)	2. Excess is between 30% and 50% (including 50%)	3. Excess is between 50% and 100% (including 100%)	4. Excess is over 100%	If the weight of the vehicle and the cargo is over the loading limit of the total mass (46 tons) and the vehicle's shaft, the higher overloaded rate will be collected.
Toll applicable to normal goods vehicles as per the weight	The first 30% will be subject to a toll applicable to normal goods vehicles as per the weight			
	The remaining balance will be subject to a toll equivalent to 2 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 3 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 4 times of the basic rate.	



## National Trunk Highways





# The Map of the Highway Network of Anhui Province

